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WORLD NEWS

Denial on Star Wars deployment

The chief US negotiator in the Geneva arms talks with the Soviet Union, Max Kampelman, contradicted predictions by Defence Secretary Caspar Weinberger that deployment of Star Wars weapons could be near.

Speaking in London, Mr Kampelman said the Strategic Defence Initiative was no more than "an exploratory programme." Page 2

PM acts on spy satellite
The Prime Minister moved yesterday to limit any political damage over disclosures about a spy-in-thesky satellite. The Commons will debate the issue on Tuesday. Page 4

Indian troops to border
India moved troops to its border with Pakistan to counter Pakistani forces which continue to occupy forward positions taken up in exercises. Page 2

Blakelock trial halted
An Old Bailey judge told police to investigate the photographing of two jurors in the Pc Blakelock murder trial. The hearing was halted until after the weekend.

Sun climbdown on letter
The Sun accepted that publication of a letter from the Duke of Edinburgh to the Royal Marines about Prince Edward had breached copyright. The newspaper paid an "agreed sum" to a charity of the Duke's choice.

BT braces for stoppage
British Telecom appeared resigned to a stoppage by 110,000 National Communications Union engineers on Monday but held hopes that support for the dispute would crumble. Page 5

Chile pardons exiles
Chile's military Government said a further 154 political exiles could return home to the with a pledge to end such expulsions.

Madrid student protest
Twenty-five people were injured in Madrid during clashes with police as striking students marched on the Education Ministry to demand free access to university.

Anti-nuclear arrests
Police arrested 187 people who tried to blockade the Ministry of Defence in Whitehall during a demonstration calling for a nuclear freeze.

Pay offer for dons
The Government offered an extra £167m to boost the pay of 35,500 university lecturers over the next three years. Page 5

Digs 'unsatisfactory'
More than four-fifths of houses in England and Wales which are divided as lodgings are unsatisfactory, says an Environment Department report. Page 4

Wapping anniversary
Thousands of print workers are expected to join a rally today outside News International's plant at Wapping, east London, to mark the first anniversary of the dispute over 5,500 sacked workers. Twelve Months On Page 6

Rock show host banned
Tyne Tees Television banned Jools Holland, presenter of the rock show The Tube, for six weeks for swearing during a broadcast.

Van Gogh for sale
A study of sunflowers by Van Gogh — one of seven such works by the artist — will go on sale in London in March. Auctioneer Christie's expects the price to top £7.7m. Weekend FT XXIII.

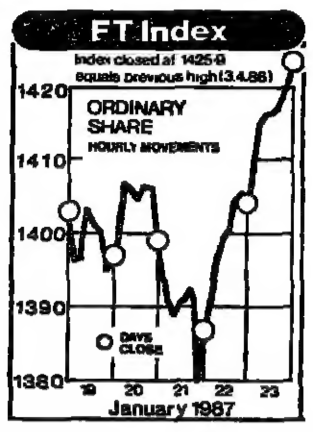
BUSINESS SUMMARY

Shares peak in London and Tokyo

EQUITIES produced records on the London and Tokyo stock exchanges inspired by Wall Street's continued rally.

In London, the FT-SE 100 index gained 17.8 to close at a record 1,795.3. The FT Ordinary Share Index jumped 21.8 to 1,425.9, matching the high of April 3 last year.

Tokyo's Nikkei market index closed 76.1 up at a record 19,456.61. At mid-session, the Dow Jones was up 38.81 at 2,184.48. London Stock Exchange, Page 11; Wall Street, Page 10



PHILIPPINES reached a 10-year agreement with western government creditors on the rescheduling of about $1bn (£655m) official debts. Back Page; Tension mounts in Manila, Page 2

NIGERIA is expected to tell a debt rescheduling meeting it proposes not to make overdue interest payments of over $30m (£20m) but rather add the sum to its multi-billion dollar debt total. Back Page

ALEXANDER Laing and Cruickshank, stockbroking firm, has launched an internal investigation on possible connec[illegible] Guinness shares. Back Page

POST OFFICE: A £3m services improvement package will mean second deliveries for more than 90 per cent of homes and first deliveries by 9.30 am. Page 3

TAKEOVER bids will probably continue to be referred to the Monopolies and Mergers Commission primarily for competition reasons, Trade and Industry Secretary Paul Channon indicated. Back Page

HIGH TECHNOLOGY groups Oxford Instruments and UEI have called off a planned merger after failing to agree terms. Back Page

ICI is appointing Peat Marwick McLintock sole auditor, ending 60 years with the same two accounting firms, Price Waterhouse and KMG Thomson McLintock.

BRITISH AIRWAYS'S share price looks likely to be set at the upper end of the 120p to 135p range of forecasts in the wake of the strong UK stock market. Page 8; Lex, Back Page

US drug safety agency advised that the controversial baldness drug Rogaine made by Upjohn Company be approved for marketing though its effect is limited

SPAIN'S TRADE deficit rose 38 per cent to $7.86bn (£5.1bn) in its first year as an EEC member. Page 2

CIGA HOTELS, luxury Italian hotel chain controlled by the Aga Khan, blamed terrorism and the weak dollar for losses last year of L1.8bn (£920m) against a net profit of L9.8bn. Page 9

AGB Research, consumer and industrial market research company, reported interim pre-tax profits up 10 per cent from £4.01m to £4.41m following a group restructuring. Page 8

Seizure of hostages casts shadow over Bonn election

BY DAVID MARSH IN BONN AND NORA BOUSTANY IN BEIRUT

THE West German Government was struggling yesterday to find a way out of a deepening West German hostages in Beirut, which has cast a shadow over tomorrow's general election.

Confusion grew yesterday over the kidnappings, with unconfirmed reports that two more Germans has been captured in addition to the two businessmen seized by pro-Iranian guerrills earlier in the week.

Mr Helmut Kohl, the West German Chancellor, whose centre-right coalition is widely expected to be given a renewed four-year mandate in Sunday's poll, confirmed that Bonn was trying to make contact with the kidnappers or Mr Rudolf Cordes, Middle East representative of Hoechst, the West German engineering group, and of Mr Alfred Schmidt, an engineer.

The Beirut captors appear to be trying to force the release of an alleged Lebanese terrorist arrsted in Frankfurt last week.

The West German Government, which has imposed a virtual news blackout over the affair, is trying to use diplomatic links with the authorities in Iran and Syria. It is also believed to be attempting to communicate with the captors through intermediaries in the Lebanese capital.

Mr Kohl, in a pre-election press conference yesterday, could not confirm the kidnapping of two more West Germans.

The siezure of two more hostages was first reported in a telephone call to the West German Embassy in Beirut naming as captives two people who were subsequently found safe. Nevertheless, a Beirut radio station said that two men, apparently West Germans, had been siezed at machine gun point in a busy Beirut shopping street yesterday morning.

Bonn's difficulties over the affair have been heightened by the determination of the US Government to press for extradition of Mr Mohammed Ali Hamadeh, the Lebanese man arrested in Frankfurt last week.

US intelligence officials claim they have identified him as one of the men responsible for the hijacking of a TWA airliner in June 1985, in which a US serviceman was killed.

Amid tight security arrangements Mr Antonius Eitel, the West German Ambassador in Beirut, paid a visit to Mr Mohammed Hussein Fadlallah, a leading Shi'ite clergyman in the southern Beirut suburbs yesterday and asked him to use his influence to secure freedom for the two German nationals kidnapped earlier in the week.

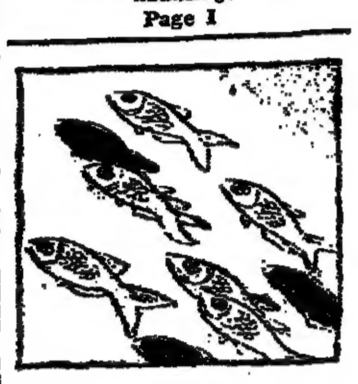
Sheikh Fadlallah, the spiritual guide of the Shi'ite Hizbullah ("Party of God") movement which has close Iranian links, sent his personal bodyguards to accompany Mr Eitel to his well-guarded villa in the suburban Haret Hraik neighbourhood. He promised to do what he could but declared: "It would be difficult to reach a solution on legal and judicial bases" and stressed that "one must be realistic."

The arrest of Mr Hamadeh, the brother of Abdel Hadi Hamadeh, a senior Hizbullah security official, is believed to have provoked the recent abduction of West Germans.

Meanwhile, there was still no sign yesterday of Mr Terry Waite, the personal envoy of the Archbishop of Canterbury, who dropped out of public view on Tuesday night to pursue underground contacts with the captors of two American kidnap victims. His prolonged absence has generated concern about his safety and whereabouts.

WEEKEND FT

FRANCE
Edward Mortimer did not see an exact historical re-run of the May 1968 "événements," but he finds the echoes haunting.
Page I



FINANCE
The London Stock Exchange's Third Market opens for business on Monday.
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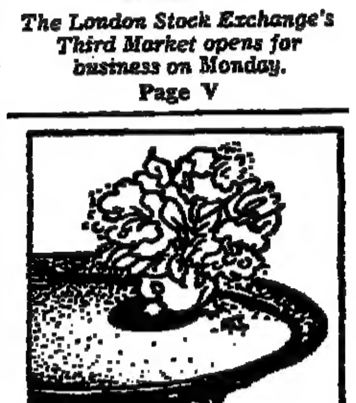

HOW TO SPEND IT
Craft commissions for the discerning decorator.
Page XXI

FORESTRY
John Brennan, Weekend FT's property columnist, reviews the prospects for investment and pleasure in trees and woodland.
Page XII-XIII

Argyll to acquire Safeway for £681m

BY LISA WOOD

ARGYLL, THE Presto supermarkets and drinks group, bounced into the first division of Britain's supermarket groups yesterday with the announcement that it was to acquire Safeway Food Stores, the UK arm of the US privately owned Safeway Stores group, for £681m.

The deal, creating the fourth largest publicly quoted supermarkets group in the UK, involves one of the biggest vendor placings on the Stock Exchange, with the issue of 194.1m new Argyll shares to raise £621m. An interest free three-year loan note will make up the remaining £60m.

The board of Argyll made a statement simultaneously, saying that at no time recently had it contemplated making a bid for Guinness, the troubled drinks group.

Guinness earlier this week made public a [illegible] Gulliver, chairman of Argyll, to Sir Norman MacFarlane, the new chairman of Guinness, suggesting a "friendly merger" between the two companies. Guinness, which beat the Argyll group in its ill-starred takeover of Distillers last year, rejected the offer. Argyll is continuing to investigate the possibility of litigation and damages for losses in the wake of Guinness's during the battle for Distillers. Mr Gulliver said yesterday he did not know the size of any claim bu the amount would be "substantial" and in excess of Argyll's £55m expenses during its abortive bid.

Argyll emphasised yesterday that one of its main aims had been to build up its food retailing business, although it might have investigater the possibility had a merger been proposed by Guinness.

Argyll said it was reviewing

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LEADING GROCERY RETAILERS

Company	*Market share (%) all grocery sales including food and drink	Group turnover (from all activities for latest financial year)	Pre-tax profit
J. Sainsbury	12.3	£3.5bn	£209m
Tesco	12	£3.4bn	£123m
Dee	11.8	£2.9bn	£83m
Asda	7.2	£1.9bn	†£103m
Argyll	5.5	£1.9bn	£64.6m
Safeway	3.5	£1bn	£43.8m
Quick Save	2.7	£764m	£42m
Waitrose	2.3	‡£634m	§£31m

* Estimates by Verdict, The Market Research Organisation. † Operating profit. ‡ Including VAT. § Trading profit.

Finns to build £215m paper mill in Scotland

BY JAMES BUXTON IN EDINBURGH AND OLLI VIRTANEN IN HELSINKI

ONE OF Finland's leading paper makers Kymmene-Stromberg is to build a £215m paper mill at Irvine in Ayrshire.

The decision, announced yesterday, will boost the Scottish economy, the UK paper industry and British forestry.

The plant, which will be operating by 1990, will produce 170,000 tonnes of lightweight coated paper a year. This will be used for printing magazines and newspapers with colour. The plant will employ 480 people, and is expected to create a further 400 jobs in forestry and transport, mainly in the Scottish Highlands.

Kymmene is one of Europe's leading producers of lightweight coated paper. It has two LWC [illegible] present with a combined capacity of 350,000 tonnes a year, 11 per cent of the European total.

Mr Casimir Ehrnrooth, Kymmene's chairman, said the market was growing at about 5 per cent annually. This would allow the new plant to sell two thirds of its production in Britain without disturbing the market in the early 1990s.

Mr Ehrnrooth said Finnish producers currently supplied a third of the UK's annual consumption of LWC, which he put at 300,000 tonnes. Other estimates put the size of the market at only 150,000 tonnes, but this may be partly due to differences of definition.

The new plant will consume 200,000 tonnes a year of Scottish softwood timber. The supply of half this timber has been guaranteed for an initial 10 years by the Forestry Commission, with the remainder coming from the private sector. The plant will also use china clay from Cornwall and 50,000 tonnes of imported chemical pulp.

The price at which the Forestry Commission is to sell timber to the plant is based on a formula related to world market timber prices at UK timber auctions, and will be reviewed on a six-monthly basis.

The project is based on the original plans of the Finnish company Kaukas, which was merged with Kymmene-Stromberg a year ago. After three years' study of European countries including West Germany and Ireland it finally settled on Scotland because of the importance of the UK market and its proximity to sources of raw material. Another factor was the existence of a reliable and reasonably-priced supply of electricity from the nearby nuclear power station at Hunterston.

Mr Malcolm Rifkind, Scottish Secretary, said in Glasgow yesterday that the project was the largest inward investment project ever to come to Scotland. Officials are delighted to have attracted an industry which will be very closely linked to the local economy — and particularly the rural economy — through its ties with forestry.

Sir David Montgomery, chairman of the Forestry Commission, said Kymmene's decision to locate in Scotland was "the crowning achievement of the

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Background, Page 5

Traders wary as dollar steadies

BY PHILIP STEPHENS

THE DOLLAR steadied yesterday amid speculation that Japan would soon follow West Germany's lead and cut its official interest rates, but financial markets were sceptical that the US currency had won more than a temporary respite.

Sterling, which has recently lost ground against European currencies, had another shaky day as traders reacted to a Gallup opinion poll suggesting that the Labour Party had taken the lead from the Conservatives.

The immediate pressure on the dollar eased as the markets assessed the impact of Thursday's decision by the West German Bundesbank to combine a cut in its discount rate with measures to drain about DM 12bn (£4.3bn), of excess liquidity.

The general view yesterday was that the rate cut should trigger a fall in money market rates next week which in turn might help to reduce the flow of funds into D-Marks.

Currency traders however, suggested that the Bundesbank move had done little to mitigate against the underlying weakness of the dollar. Official figures showing sluggish growth in the US economy and forecasts that next week's US trade figures would show another massive deficit for December pointed to further losses for the dollar, they said.

Speculation that the US Federal Rserve might follow West Germany and lower its discount rate added to the uncertainties.

The apparent failure of Mr Kiichi Mizayawa, Japan's Finance Minister, to win firm assurances from the US to stabilise the dollar was interpreted as indicating that Washington was prepared to see the dollar fall further.

Reports from Tokyo that the US had agreed to joint intervention if the dollar fell below Y150 were greeted with scepticism, as were remarks by Mr Satoshi Sumita, the governor of the Bank of Japan, who sought to lay down forecast of a fall

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Money markets, Page 11

Burton share scheme disquiet

BY NIKKI TAIT

A NEW rumpus emerged last night over the controversial executive share option proposed by Burton Group, the retail chain. A circular from Sir Ralph Halpern, Burton's chairman and chief executive, explaining details of the scheme, omitted to mention a limit on the value of any individual's options under the scheme, agreed with City institutions.

Institutions are large holders of Burton's shares and monitor all option schemes where there is a question of significant dilution of their stakes.

Under the scheme, some 80 senior employees could be eligible for options worth up to eight times their annual remuneration. Before they can exercise them in full Burton must achieve real earnings growth of 30 per cent over five years and its growth in earnings per share must put it in the top 25 of FT100 share companies.

Institutional disquiet, has centred on the potential size of the options, given the high level of salaries within Burton — Sir Ralph was paid £1m last year, part of it performance linked.

Accordingto a number of institutions last night, non-executive directors on Burton's remuneration committee will monitor a £2.5m ceiling which has been put on an individual's options under the scheme, although no mention of this is made in Sir Ralph's letter. Yesterday Burton refused to comment, although its merchant bank advisers, S. G. Warburg, said the company "was not in the arena of over-personalising things."

Sir Ralph's letter, however, does make clear that the new scheme is tighter than its originally appeared. Essentially, there is no question of options breaching the eight times limit, and any further options granted under the existing 1978 scheme — which does not expire until 1988 — will be exercisable only if the group meets new scheme's performance criteria. Mr Michael Wood, Burton's finance director, said yesterday: "This means we will be the only group in the country which has all share options dependant on performance."

The investment committee of the National Association of Pension Funds said yesterday in a letter to its members: "You will wish to judge the criteria established by Burton for performance and determine for yourself whether you regard this target as sufficiently demanding to justify the extension of the share scheme as proposed. Furthermore you may wish to question the tax efficiency of the scheme."

An Inland Revenue-approved scheme—which would require a four times limit but allow option holders to pay capital gains tax rather than income tax on any profits for the options—could be just as beneficial, it argues.

Burton's annual meeting at which the new scheme will be put to shareholders is called for next Thursday.

MARKETS

DOLLAR
New York lunchtime:
DM 1.823
FFr 6.086
SFr 1.5335
Y152.48
London:
DM 1.8255 (1.8135)
FFr 6.095 (6.055)
SFr 1.537 (1.5225)
Y153.05 (151.85)
Dollar index 104.3 (104)
Tokyo close Y153.25

US LUNCHTIME RATES
Fed Funds 5⅞%
3-month Treasury Bills:
yield: 5.5%
Long Bond: 101¾
yield: 7.35%

GOLD
New York: Comex Feb latest $402.9
London: $403 ($409.75)

STERLING
New York lunchtime $1.523
London: $1.523 (1.5325)
DM 2.78 (2.7825)
FFr 9.2825 (9.28)
SFr 2.34 (2.335)
Y233 (232.75)
Sterling index 68.9 (69.1)

LONDON MONEY
3-month interbank:
closing rate 11% (10[illegible])

NORTH SEA OIL
Brent 15-day Feb (Argus)
$18.475 ($18.45)

STOCK INDICES
FT Ord 1,425.9 (+21.8)
FT-A All Share 896.04 (+1%)
FT-SE 100 1,795.3 (+17.8)
FT-A long gilt yield index:
High coupon 9.92 (same)
New York lunchtime:
DJ Ind Av 2,184.48 (+38.81)
Tokyo:
Nikkei 19,456.61 (+76.1)

Chief price changes yesterday. Back Page

CONTINENTAL SELLING PRICES: Austria Sch 20; Belgium BFr 45; Denmark DKr 9; France FFr 6.50; W Germany DM 2.20; Ireland 60p; Italy L1,600; Malta 30c. Netherlands Fl 3; Norway NKr 7.00; Portugal Esc 100; Spain Pts 125; Sweden SKr 8.00; Switzerland SFr 2.20.

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OVERSEAS NEWS

US negotiator denies SDI is near deployment

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

MR MAX KAMPELMAN, the chief US negotiator in the Geneva arms talks with the Soviet Union, yesterday flatly contradicted predictions by Mr Caspar Weinberger, the US Defence Secretary, that the deployment of Star Wars weapons could be near.

In an address to the Royal United Services Institute in London, Mr Kampelman said that President Reagan's Strategic Defence Initiative (SDI) was no more than "an exploratory programme.

"A decision on whether to move ahead with the deployment of strategic defences is probably years away. It might be made by President Reagan's successor, but it will not likely be made by President Reagan himself."

Mr Kampelman's remarks were made only hours after Mr Weinberger had told a space symposium in Colorado Springs that the US had made dramatic progress in Star Wars research. While not specifying exactly when a decision might be made on partial deployment of space-based anti-missile weapons, Mr Weinberger cited progress in recent US tests of space-based sensors to track the flight of Soviet nuclear missiles and in lasers which could destroy them in flight.

"Today we may be near the day when decisions about deployment of the first phase of strategic defence can be made." the Defence Secretary said. Some American officials have said that the first phase of deployment could take place within five or six years, well before the original goal of the mid-1990s.

For Mr Kampelman, however, the decision to deploy space-based weapons was by no means "fore-ordained." There were significant examples of weapons systems for which research had been completed, but which were later abandoned. The B-70 bomber and the US anti-ballistic missile system (ABM) were examples of such decisions.

The chief US arms negotiator also gave a renewed undertaking that the US would not decide on SDI deployment without intensive discussions and consultations with its allies.

Turning to other aspects of the Geneva negotiations, Mr Kampelman said that the US and the Soviet Union were "close to an agreement" on approximately 50 per cent reductions of strategic nuclear missiles and warheads and on the elimination of intermediate-range missiles in Europe.

His statement confirms the view of western officials that the atmosphere at the Geneva arms talks has greatly improved since Mr Yuly Vorontsov, a First Deputy Foreign Minister, took over the leadership of the Soviet negotiating team last week. The spirit in which the Soviet delegation has been approaching the negotiations is altogether more constructive than at any time since last October's abortive Reykjavik summit between President Reagan and Mr Mikhail Gorbachev,

Bangemann regrets US-Europe trade clash

By David Marsh in Bonn

MR MARTIN BANGEMANN, the West German Economics Minister, yesterday warned that growing trade friction between the US and the European Community could cast a "general cloud" over trans-atlantic relations.

He was speaking after Mr Richard Burt, the US Ambassador to Bonn, criticised in unusually sharp tones what he said was protectionist European behaviour in the areas of armaments, civil aviation, agriculture and telecommunications.

Apart from taking aim at European subsidies for the Airbus airliner, Mr Burt also singled out for criticism the telecommunications monopoly of the West German Bundespost.

The comments from Mr Bangemann and Mr Burt reflect growing nervousness about a possible trans-Atlantic trade war.

In spite of talks between officials from both sides in Geneva this week and discussions due to start in Washington — the start of which was delayed yesterday — there are few signs of a break in the deadlock before the January 30 deadline to resolve American complaints over unfair Community treatment of US farm produce.

Mr Bangemann said yesterday the Geneva talks had "not gone so badly" and underlined that a sharpening of the conflict would be in nobody's interest.

Mr Bangemann added that the Bonn Government understood the US wish for compensation over impediments to US agricultural exports to Spain and Portugal.

However, these hindrances would be partly offset by greater chances for American companies to sell industrial goods to the two countries in the wake of their accession to the Community, he claimed.

Tension mounts in Manila after killings

BY RICHARD GOURLAY IN MANILA

PRESIDENT Corazon Aquino of the Philippines came under a barrage of attack yesterday from both the left and right following the killing on Thursday of 12 demonstrating farmers by government troops.

The 11-month-old Aquino government looks at its most vulnerable since a series of coup rumours in November that resulted in the sacking of Mr Juan Ponce Enrile, the Defence Minister.

The marked increase in tension in Manila among government and military officials comes only 10 days before a referendum on a new constitution that if approved will considerably strengthen Mrs Aquino's presidency.

Meanwhile, an Opposition politician released the transcript of illicitly taped telephone conversations between Mrs Aquino and top advisers that show there were palace efforts to influence the supposedly independent drafters of the constitution.

The tape, confirmed by a palace source as authentic, suggests Mrs Aquino at least knew that her presidential adviser Mr Teodoro Locsin and her executive secretary Mr Joker Arroyo were trying to secure changes in clauses relating to the future of the two US military bases in the Philippines in order to make them more acceptable to the US.

Mr Homobono Adaza, the Opposition politician who released the tapes, called for Mrs Aquino's resignation. The release of the tapes was clearly timed to embarrass the Government. Mr Adaza is a vitriolic critic of Mrs Aquino and an open ally of Mr Enrile.

The tapes were made when Mrs Aquino was in the US in September trying to secure additional aid.

Her top advisers are heard saying that Mrs Aquino would telephone one of the drafters of the constitution from New York. This conversation was not taped and the palace was unavailable for comment on whether the call was ever made.

Meanwhile, Gen Fidel Ramos, Armed Forces Chief of Staff, admitted that troops "over-reacted" when they opened fire on peasant demonstrators marching on Manakanyang Palace on Thursday.

The unprecedented admission follows the bloodiest days at the notorious Mendiola Bridge approach to the presidential seat of government which was a regular scene of left-wing demonstrations during the martial law years of former President Ferdinand Marcos.

Labour and peasant leaders threatened to lead food blockades of Manila next week and have planned a protest rally on Monday.

The killings also led to the resignation of a government panellist involved in peace talks with the National Democratic Front, which represents the New People's Army communist rebels.

Miss Maria Diokno said she could no longer continue to represent the government when it was so clearly responsible for the killings.

Corazon Aquino

French unions to decide on action over pay

BY DAVID HOUSEGO IN PARIS

FRENCH trades unions are to decide on Monday whether to call for stoppages to protest at the pay offer made by the government to the country's 4.5m public employees.

The government has proposed a two-stage increase of 1.7 per cent for this year on top of scheduled increases for promotion and seniority. The package, applicable to civil servants, municipal employees and teachers, would maintain the growth of public sector salary costs within the 3 per cent ceiling set by the Prime Minister, Mr Jacques Chirac.

Unions were united in denouncing the offer which they argue would result in a further loss of purchasing power for public servants. The government claims the 1.7 per cent is in line with France's expected 12-month inflation rate next year.

Though French inflation fell to 2.2 per cent at the end of 1986, food and fuel price increases already in the pipeline could halt the fall.

The main stumbling block in the negotiations on Thursday was the union demands for a safeguard clause — as agreed in 1982 and 1983 — to provide against inflation being above official expectations. The government declined to accede to this.

The threat of stoppages comes in the wake of recent strikes by French rail, electricity, and metro workers which won increases in the upper range or above the government's 1987 pay ceilings.

The public employees — and in particular the more militant teachers — want to achieve at least the same.

The bulk of the unions do not seem to want to pursue the dispute to confrontation with the government on an issue on which they believe they can make little headway. On the other hand they do not want to be seen to be dragging their feet behind the more aggressive CGT.

Recent elections among Paris metro employees suggest the more militant unions are gaining ground.

The French Government has announced another package of tax measures aimed at *boosting investment* in shares, George Graham reports from Paris.

Mr Edouard Balladur, Minister of State for the Economy, Finance and Privatisation, yesterday said he planned to raise the tax allowance on income from shares and bonds.

He also plans to double the amount of money savers are allowed to put into investment clubs, which have around 150,000 members in France and an estimated *FFr 13bn to FFr 18bn (£1bn-£1.9bn)* of investments.

The government hopes for a huge expansion of share ownership in the wake of its privatisation programme. St Gobain, the first company to be privatised, attracted more than 1.5m shareholders.

The flotation of the merchant banking group Paribas is expected to attract even heavier demand.

Solution to tied aid row in sight

By Paul Betts in Paris

WESTERN COUNTRIES edged closer yesterday towards resolving their long-running trade dispute over the use of tied aid credits to support exports in developing countries.

Although Western countries failed to reach an agreement on the vexed issue of mixed or tied aid credits at a two-day meeting at the Organisation for Economic Co-operation and Development (OECD), several delegates claimed that "substantial progress" had been made. They also indicated that agreement was now possible by the end of next March.

A US official said that Washington had accepted an EEC compromise proposal to break the three-year deadlock on the tied-aid question. Japan, which until recently had blocked progress on the issue, also proposed a compromise solution and delegates claimed the Japanese adopted a more constructive approach than in the past at the meeting which ended yesterday.

The compromise proposals will now be studied by the different countries with delegates hoping that the remaining differences will be ironed out in time for an agreement in March before the next OECD ministerial meeting.

The dispute has centred on efforts to change the present OECD system using a notional interest rate, or discount factor, of 10 per cent for aid loans by Western countries. This gives an advantage to countries such as Japan with lower domestic interest rates in providing the grant element in a tied aid export credit package. Another issue at the heart of the dispute is the minimum level of the government grant element in a tied aid package. The US has demanded a substantial increase in the current level of 25 per cent. Most western European countries have now suggested raising this level to around 35 per cent.

PM defends continued Greek Nato membership

BY ANDRIANA IERODIACONOU IN ATHENS

GREECE'S SOCIALIST Government has not acted on a pre-election pledge to pull out of the North Atlantic Treaty Organisation because it believes that remaining in the alliance ensures against a war with neighbouring Turkey. Dr Andreas Papandreou, the Prime Minister, told a special parliamentary debate on defence policy yesterday.

The Prime Minister repeated a warning to Ankara that a new Turkish military move in Cyprus would inevitably provoke a Greek reaction.

Turkey invaded and occupied over one-third of Cyprus in 1974, following a coup staged by the Greek junta on the island. Turkey has since sought an extension of its sea and air space rights in the Aegean Sea, leading Greece to accuse it of posing an expansionist threat to the east.

"We have not left Nato because national security reasons oblige us to stay. If Greece pulled out of Nato, a war with Turkey would be inevitable. Staying in the alliance is useful for the country," Dr Papandreou said. It was his strongest and most unequivocal statement *in favour of Nato membership.*

The Greek socialists came to power in 1981 on a platform of Nato withdrawal. They opted instead to try to secure a Nato guarantee against a possible attack by Turkey, which Turkish vetoed.

Spain's trade deficit rises 38%

By David White in Madrid

SPAIN'S first year of membership of the European Economic Community brought a sharp deterioration in its trade deficit, which in dollar terms rose 38 per cent to $7.86bn, according to 1986 customs figures.

The benefits of cheaper oil were offset as the balance of trade in non-energy goods swung into deficit.

Imports rose by 17 per cent to $35.04bn while exports were 12 per cent up at $27.18bn.

The figures confirm the stronger import trend as EEC producers take advantage of the first reductions in Spanish tariff barriers. Exporters, who were already largely dependent on the EEC market, have meanwhile had to face the loss of tax benefits and the impact of inflation on their competitive position.

Official cost-of-living figures for the year show a rise of 8.3 per cent, about the same as the previous year's 8.1 per cent. Although this was somewhat lower than expected following the introduction of value-added tax a year ago, it was 5.5 points above the EEC average.

The trade gap was Spain's highest since 1983. In peseta terms it rose 12 per cent to Pta 1,091bn, with imports 3.6 per cent lower at Pta 4,890bn, thanks to the fall in oil prices and the dollar exchange rate, and exports 7.4 per cent down at Pta 3,800bn.

Crude oil imports in pesetas were 53 per cent lower, but imports of non-energy goods increased by 21 per cent. This partly reflected purchases of machinery as a result of Spain's investment recovery, but also consumer goods.

Spain's traditional surplus in its trade with France, its main export market, was reduced by 47 per cent to Pta 111bn.

Iranian forces dig in for possible attack on Basra

BY RICHARD JOHNS

FIGHTING in the latest flare-up in the Gulf conflict east of Basra, Iraq's second-largest city, has slackened in the past two days. Iranian forces have been digging in to consolidate their positions along a 14-16 mile stretch of the Shatt el Arab.

Western military analysts said yesterday the big question was whether the invading force could cross the waterway and continue its advance westwards in the face of formidable defensive obstacles.

Two weeks after the offensive started, the Iranians have not yet crossed the Jassim canal connecting the Shatt el Arab with the man-made "Fish Lake" but also are confronted with a bigger barrier in the form of a moat running from the Huwaizah marshes to the north down to the waterway.

The maximum depth of the advance revealed by satellite pictures on Thursday was nearly 10 miles. The Iranians have also occupied the eastern tip of the strategically important elongated island, Ujairawiyah, about four miles long. Its western end faces Basra's southern suburbs.

The Iranians occupy another island further downstream, Umm al Tuwailah, and the Bovarian sandbank inside Iraqi territory on the north bank of the Shatt al Arab. Both could provide a springboard for an attempt to cross the vital waterway.

Western intelligence officials and military analysts are still by no means convinced that the Iranians have the ability to cross it or the moat in sufficient force to threaten Basra gravely in the next two months during which weather conditions will favour the attackers.

Tehran still evidently hopes the thrust and its effect on Iraqi morale, not least as the result of the exodus of civilians from Basra, will make it possible to accomplish a "year of decision" (the Iranian year ends on March 20) through the overthrow of the regime of President Saddam Hussein of Iraq. The Islamic Republic yesterday rejected the offer of a settlement made in an open letter to the Iranian people.

A military spokesman in Baghdad said dozens of people were killed when an Iranian ground-to-ground missile crashed into a residential neighbourhood of the capital.

It was launched in apparent retaliation against another wave of Iraqi air raids which, Tehran Radio said, left 212 people dead on Thursday.

Butter mountain assault backed

BY TIM DICKSON IN BRUSSELS

AN AMBITIOUS plan to get rid of most of the 1.34m tonne EEC butter "mountain" over the next two years looks like being accepted by most member states.

The Ecu 3.2bn (£2.37bn) European Commission [illegible] last month requires national governments to provide enough funds to dispose of around 1m tonnes of butter in 1987 and 1988 to export markets, the animal feed industry, "non-food" users and European consumers. Although expensive in the short term the aim of the "one off" exercise would be to achieve savings in storage costs and—most significantly—eliminate a major depressive effect on world butter prices.

Under the Commission's plan, member-states would lend the money only to the Community and would be reimbursed by Brussels in four instalments starting in 1989. Interest would be paid on the funds at a rate of 6 per cent in West Germany and the Netherlands, and 7 per cent elsewhere.

[illegible] already pay for the guaranteed purchases of "intervention" products, but are normally reimbursed immediately by the Community when such stocks are sold at the generally much lower world price (hence such sales cost money).

A number of objections to the Commission's detailed proposals were raised by financial and agricultural experts from member states at a meeting last week. But apart from Spain, which as a new member of the Community insists that the problem was not of its making and that its government should not therefore contribute to any remedy, most countries broadly agreed with the idea "in principle."

The main anxiety appears to be felt by the Germans, who are [illegible] scheme should (as some in the Commission would like) extended to other surplus products.

If given the go ahead, the amounts *released would* be: 400,000 tonnes of exports this year (the most likely destinations being Eastern bloc countries); 200,000 tonnes both this year and next to the animal feed industry; 100,000 tonnes this year for "non food" use; and 65,000 tonnes in each of the two years for "special action for EEC consumers."

Dutch likely to maintain interest rate

By Laura Raun in Amsterdam

THE NETHERLANDS' decision not to follow West Germany's discount-rate cut this week was a surprising show of independence and signals serious worry [illegible] weakness.

De Nederlandsche Bank, the Dutch central bank, had been widely expected to trim the 4½ per cent discount rate as it has done nearly every time the Bundesbank has moved in recent memory, sometimes with a week or two lag. But there is little expectation that Mr Wim Duisenberg, president of De Nederlandsche Bank, will follow this time because of fears of undermining the guilder.

Most of the time the guilder, also known as the florin, is viewed as a cheap Deutsche Mark—trading at a slight discount to the German currency and offering a small premium in interest rates. But investors still need an incentive to go into the less-traded currency. The guilder was revalued along with the D-Mark in the recent realignment of the European Monetary System (EMS).

In recent months, however, the guilder has weakened against the D-Mark because of the dollar's plunge, a smaller interest-rate premium, growing capital outflows and slower economic growth in the Netherlands.

Poll shows Reagan not believed over Iran

TWO-THIRDS of Americans quizzed in a Washington Post-ABC News poll this month said President Ronald Reagan was not doing enough to bring out the facts about the Iran-Contra affair. **AP reports from Washington.**

Furthermore, 56 per cent of the 1,505 people polled from January 15 to 19 said they did not believe the President was telling the truth about the controversy.

Nearly three-quarters said they believed Vice Admiral John Poindexter, the former National Security Adviser and his aide, Lt Col Oliver North, acted on direct orders from someone higher up in the White House.

Four-fifths of the respondents said they disapproved of the US sending arms to Iran, and 39 per cent characterised the affair as more serious for Mr Reagan than the Watergate crisis was for Richard Nixon.

Asked: "Do you think President Reagan is doing as much as he can right now to bring out all the facts surrounding the Iran affair, or not?", 67 per cent of the respondents said: "No," 30 per cent said "Yes" and 3 per cent offered no opoinion.

That compares with an ABC News poll in early December in which 53 per cent said Mr Reagan wasn't doing enough to get the facts out and 44 per cent said he was.

India orders troops to border

INDIA ORDERED heavy troop movements to the Indo-Pakistan border in retaliation against forward positions by Pakistani troops, the Defence Ministry said yesterday. **K. K. Sharma reports from New Delhi.**

Pakistan has been invited to take steps to ease the situation, which is the closest the two countries have come to conflict since they went to war in 1971 over Bangladesh.

The troop movements are confined to the Abohar Fazilka area of Punjab, but the ministry said that if the situation demanded, the army would have to be moved to the other border states.

Jim Jo[illegible]s reports on the resignation of JCI's Gordon Waddell

Mi[illegible]ng chief despairs for S Africa

WHEN Gord[illegible] Waddell an[illegible]nounced hi[illegible] [illegible]ion to resign [illegible] of one of the chairm[illegible] principal mining [illegible] South Afric[illegible], he gave many houses this [illegible] pause for South A[illegible] thought. [illegible] Waddell says he

Thoug[illegible] [illegible]ate plans for the [illegible] has no [illegible] almost certain he future. [illegible] country. will le[illegible] [illegible] figures have been

Em[illegible] level for almost a at a[illegible] many of the people yea[illegible] ave been middle-rank lea[illegible] als, not high-profile pr[illegible] leaders. When the b[illegible] e of someone at the [illegible] the headlines, others [illegible] less secure.

[illegible] Waddell is high profile [illegible] utspoken. His career with [illegible] American Corporation, [illegible] Africa's largest mining [illegible] se, began in 1966, the year [illegible] he emigrated to South [illegible] ica and married Miss Mary [illegible] ppenheimer, the daughter of [illegible] r Harry Oppenheimer, Anglo-American's chairman and controlling shareholder. (They were divorced six years later.)

Mr Waddell did not succeed Mr Oppenheimer as Anglo American's chairman—his son Nicholas is being groomed for that position. He is, however, a director of Anglo American, and in 1981 he became chairman of Johannesburg Consolidated Investment, which is controlled by Anglo American.

JCI holds strategic diamond trading interests of the De Beers, manages Rustenburg Platinum, the non-communist world's largest platinum producer, and has controlling interests in Argus and South African Associated Newspapers, the two English-language newspaper groups.

In Johannesburg this week Mr Waddell said he did not want the chairmanship of Anglo: "It's simply too big for me. I like to know the people with whom I work, and that's the charm of JCI."

In leaving JCI and almost certainly joining what he calls the "chicken run" (South African slang for leaving the sinking ship), Mr Waddell has underlined the dilemmas faced by South African businessmen. "I'm extremely pessimistic about the future of private enterprise in South Africa. I am concerned that business people here don't realise how clearly private capitalism is perceived to go hand in hand with apartheid by the majority of people in this country. And I do not think we are regaining ground in the perceptions of the majority of people."

On a more personal level he adds: "On probability I have my doubts about my five-year-old son's future in this country."

While he is worried about South Africa's future under the National Party government and is on record as saying the country's problems can only be resolved by giving everyone the vote, he is fearful for private enterprise's prospects under a black government.

"The worry is that an incoming black government and the people who elect it have not enjoyed sufficient of the benefits of private enterprise to feel any affection for the system."

A black trade unionist takes a more cynical view: "It's all very well for Waddell to talk, but he's no different from the others. Where are JCI's black directors? Where are its black managers? There aren't any."

This criticism can be levelled at virtually every private sector firm in South Africa. Years of talk about black advancement and business criticism of apartheid have led to only a handful of black South Africans in corporate boardrooms.

Between them the six mining houses have almost 100 directors of whom only two are black, and they are not in executive positions.

While Mr Waddell says he welcomes black unions in the mining industry, he points to another difficulty for white managers. "Unions are one of the few outlets for collective black expression — the difficulty for management comes when demands are political."

At present Rustenburg Platinum is in dispute with the Chemical Workers' Industrial Union. Rustenburg is moving its platinum refining to a site near its mines in Bophuthatswana, the nominally independent rural area in the Transvaal. Mr Waddell says the reasons are financial. The union says it is because independent unions are not allowed to organise in the territory.

Mr Waddell is not alone in his apparent despair. In 1974 he entered parliament as a Progressive Federal Party member. Last year Mr Frederik van Zyl Slabber, the PFP leader at the time, abruptly resigned his seat, questioning the validity of white party politics.

Mr Waddell agrees and believes South Africa's only hope lies in black-white negotiation. He does not believe businessmen should be seen to be co-opted by government, but says that their responsibility is to finance political parties which can oust the National Party.

In April 1985 Mr Waddell was one of the men who pulled the plug on the Rand Daily Mail, South Africa's most vigorous liberal daily newspaper. the RDM was losing money under inept management, Mr Waddell says, but adds that it could have been restored to profits by the new management now *running* SAAN, the RDM's owner.

Gordon Waddell: joining the "chicken men."

UDF warns on use of violence

THE United Democratic Front, the main anti - apartheid umbrella organisation, has warned that it might have to review its commitment to non-violent principles if the South African state does not cease its "unrelenting oppression." **Anthony Robinson reports from Johannesburg.**

The warning was contained at the end of an open letter to Mr George Shultz, the US Secretary of State, who is due to meet Mr Oliver Tambo, leader of the banned African National Congress, in Washington next week.

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China has 50% fall in foreign investment

BY ROBERT THOMSON IN PEKING

FOREIGN investment in China fell by almost 50 per cent last year, as investors continue to be hindered by the country's foreign exchange shortage, bloated bureaucracy, and high cost of doing business.

Figures released yesterday by the Ministry of Foreign Economic Relations and Trade (Mofert), which also gave guarantees that China's political turmoil would not affect the "open door" policy, show that contracts for foreign investment signed in 1986 totalled \$3.3bn (£2.15bn) down from \$6.3bn in 1985.

The number of new projects approved during the year was 1,400, down from 1,900 in 1985.

A Mofert spokesman said the dollar totals included compensation trade agreements. The true contracted total for 1986 was \$2.9bn, down from \$5.85bn in 1985. Earlier, Mofert officials told a press conference that investment had fallen because the Chinese Government was more selective in assessing potential projects.

While resident foreign business people concede that the Government is more choosey about business partners, they suggest that more fundamental problems are the poor investment climate and a lack of confidence in the country's long-term political direction. Several Japanese companies with offices in Peking are planning staff cuts.

The Mofert spokesman Mr Zhou Keren, said the political campaign against "bourgeois liberals" would not affect the open door policy.

He said the downturn was most pronounced in the first half of last year, and that new incentives had turned the downward trend around, but the ministry's own figures show that concentrated investment fell by 20 per cent in the first six months of 1986, and by 47.6 per cent for the full year.

The Chinese Government is conscious that its investment image has taken a battering, and last October introduced 22 new regulations lesigned to overcome the most oft-cited investment problems of bureaucracy—cost and foreign exchange shortages.

Yet the government has been unable to overcome a fundamental conflict of interest—China wants investment for export-orientated products, while most investors are looking to exploit the China market.

Mofert was unable to provide an *industry-by-industry* analysis of investment, and could not give proportions for investor countries, other than to say that the leading three, in order, were Hong Kong, the US and Japan.

Figures released yesterday by Mofert show contracted foreign borrowing jumped by 96.3 per cent to \$6.9bn and the executed amount of loans rose 92.7 per cent to \$4.83bn. While both represent a significant increase, they are well below the \$9bn or so the government has set as an annual ceiling on borrowing.

Mofert officials could not provide *a breakdown of commercial* and government-backed loans, but said the main reason for the rise was an increase in financial assistance from the World Bank, the International Monetary Fund and the Overseas Co-operative Fund of Japan.

Pioneer engineering company opens HQ

By Ian Hamilton Fazey, Northern Correspondent

THE MANCHESTER headquarters of Costain Petrocarbon, which has emerged as a pioneering engineering contractor and has increased its workforce from 320 to 1,143 in less than three years, was officially opened yesterday.

The company was created when Costain bought Petrocarbon from Burmah Oil in *1984. The purchase enabled a* tradiional site contractor to combine with a high-technology process engineering design business, providing a range of integrated services not seen before in Britain.

"It is definitely a new animal," a senior manager of British Nuclear Fuels, Britain's biggest buyer of both types of service, said yesterday. "The combination means that there is a much closer relationship between design and construction of highly complex plant."

The headquarters, opened by Mr Alastair Goodlad, parliamentary under-secretary for energy, houses what is believed to be the largest team of graduate process engineers in the contracting industry. Investment includes £3m of computer-aided design equipment.

Much of the technology and know-how has been developed in-house.

Sale of motor cycles 'hit by unemployment'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE MOTOR Cycle Association yesterday blamed high youth *unemployment* for a further big drop in sales in 1986, the sixth successive year of decline.

Only 103,530 motor cycles and mopeds were registered, the lowest figure for 15 years. This was a fall of 16 per cent from 1985 and 67 per cent down on the 315,000 registered in 1980.

Traders face an additional threat. The sharp rise in the value of the Japanese yen has caused the price of many models to rise by up to 24 per cent.

Mr Peter Sheen, director-general of the association, said: "The country's youth unemployment is mirrored in the continued downward trend of learner and lightweight motor-cycle sales.

"Youngsters leaving school are finding it difficult to get jobs, and some of those already in jobs are being made redundant before they can graduate to a new machine.

"It is only at the top end of the market where we have a ray of sunshine with high sales of machines costing over £2,000."

Statistics compiled by the association show registrations of machines in the 901 cc to 1,050 *cc category were up last* year by 36 per cent, and over-1,050 cc sales increased by 18 per cent.

On prices, Mr Sheen said exchange rates seemed to have stabilised and the industry had looked for ways of producing cheaper economy models.

He said the fall in motor-cycle sales since 1980 was not restricted to the UK. Sales in the US were down by 61 per cent between 1980 and 1984, those in West Germany fell by 35 per cent, and in France by 20 per cent. Production in Japan was cut from 7.4m machines to 4m in that period.

He claimed that the UK trade had managed to preserve a base on which to rebuild sales "in contrast to some of our less-fortunate EEC neighbours whose sales may have suffered terminal injury."

Commons backs bill to find Aids facts

By Tom Lynch

A BILL requiring health authorities and health boards to provide detailed annual reports on the spread of Aids in their areas and the measures they take against it was given an unopposed second reading in the Commons yesterday.

The private member's bill, sponsored by Mr Gavin Strang, Labour MP for Edinburgh East, and supported by backbenchers on both sides of the House, was welcomed by Mr Tony Newton, the Health Minister.

Mr Strang told MPs the data would help the Government and charities to co-ordinate efforts to tackle the disease. The statutory obligation would have the effect of galvanising action where it was needed.

"It will help us reduce the rate of spread and it will help us support the sufferers and their families," Mr Strang said.

The first annual report required under the bill is scheduled for February 1, 1988.

The bill now goes on for line-by-line committee stage scrutiny and, with government and all-party goodwill, is almost certain to become law.

Post Office to test improvement plan

BY NEIL BENNETT

THE POST OFFICE yesterday announced a £3m package of improvements to its postal services, including local quality tests. These will mean that *more* than 90 per cent of homes will have second deliveries.

An additional 400,000 suburban households will have a *daily second delivery by the end* of the year. The Post Office has also promised to make first deliveries by 9.30 (9.15 am in London).

Tests will be introduced to check on the efficiency of smaller sorting offices. A panel of customers will be sent letters and asked to comment on the service. The Post Office will also spend £1m a year sending out questionnaires at random to check on delivery.

A taskforce of inspectors and 250 delivery managers will check on sorting offices' performance. There will also be increased management training, geared to improved delivery.

Last month, the Post Office announced the creation of 28,000 jobs to deal with the increased volume of mail and cut down overtime. Its expects volume to increase by 5 per cent a year for the next five years.

The measures have been agreed with the Union of Communication Workers. Mr Alan Tuffin, UCW general secretary, said: "After years of arguing about cuts, this is the first time that both of us recognise we ned more people in the system. Some of the standards were slipping."

Workers who do less overtime under the measures will have their wages protected by increased productivity bonuses.

The Post Office have given an assurance that charges will not increase before October.

Big freeze cost 14m working days

FOURTEEN million working days were lost in Britain because of last week's freezing weather conditions, according to a *survey published yesterday* by Audience Selection.

It showed that 73 per cent of those interviewed struggled to work and did not miss any days because of the weather, but that 21 per cent had up to five days off, with an average of 2.2 days absence.

It also showed that 18 per cent experienced frozen or burst pipes in their homes, with the figure higher at 23 per cent in the south.

Taiwan may lift exchange controls

By Robert King in Taipei

TAIWAN IS considering lifting many of its controls on the movement of foreign exchange to make it easier for idle Taiwanese capital to be invested in ventures abroad *and to give foreign* investors easier access to Taiwan's capital market.

Mr Chang Chi-cheng, governor of Taiwan's Central Bank, said the changes would be more sweeping than such "secondary measures" as permitting export firms to keep part of their foreign exchange earnings for direct investment in foreign projects—both of which are allowed on a limited scale.

The plan to lift the controls after decades of strict regulation stems from a massive accumulation of foreign exchange to \$48bn. It underscores its lopsided balance of trade

The central bank's foreign exchange *holdings* have increased by \$2bn since the beginning of the year and the climb shows no sign of slowing as export orders continue to pour in. Economists report that largely as a result of the increasing reserves the basic money supply (M1) grew by almost 44 per cent in November.

Ecuador president vows to stay

By Our Financial Staff

ECUADOR'S President, Leon Febres Cordero, has said he would not resign, and planned to complete his full term to August 1988. A palace document referred to a congressional resolution calling for his resignation as "irrelevant, anti-democratic and lacking any moral or legal support."

The opposition parties put the resolution to Congress on the grounds that the president had repeatedly violated the constitution, and was responsible for provoking his kidnapping at the Taura air base.

An opposition spokesman said a deeper crisis for Ecuadorian democracy could be avoided if the President resigned.

However, the military command and business sectors have confirmed their support *for* President Febres Cordero.

More than 70 commandos from the Taura air base have been transferred to other military installations and magistrates are beginning investigations into the President's kidnap.

Gen Frank Vargas Pazos, who was released in exchange for the President *and his staff*, has kept quiet so far but is expected to step into the political arena once all charges against him have been dropped.

Turkey reports 42% rise in short-term borrowing

BY DAVID BARCHARD IN ANKARA

TURKEY'S short-term borrowing rose by 42 per cent to \$9.4bn (£6bn) last year, the central bank disclosed yesterday. This is 31 per cent of the country's total external debt of \$29.4bn.

Government officials continue to stress that the *rise is not an* alarming one and that more than half consists of liabilities to Turkish citizens.

It does however suggest that the Government is not being successful in its plans to shift away from short-term borrowing to medium- and long-term credits Short-term borrowing was 26 per cent of the total external debt *portfolio at the end* of 1985, and 21 per cent at the end of 1984.

Turkey's foreign debt is equivalent to exactly half its gross national product, while the debt service ratio has climbed to around 44 per cent from 32 per cent in 1985.

While foreign bankers regard Turkey's balance of payments problems this year as manageable, there is some concern at the deterioration of the balance of payments last year. The trade deficit grew by 26 per cent to \$2.6bn in the ten months ending in October.

The acting governor of the central bank, Mr Zekeriya Yildirim, disclosed this week that Turkey expected to receive \$1.3bn in fresh loans by April. Those included a \$400m project credit, and an expected syndication of four US banks

Professor to chair bank law review

By Hugo Dixon

PROFESSOR Robert Jack, a part-time professor of mercantile law and a senior partner of McGrigor Donald, the Glasgow solicitor, has been chosen by the Government to chair the banking law review, which started work yesterday.

The Government announced its intention in November to set up the review, which will look into the suitability of present law, which is mostly more than 100 years old, for electronic payment systems.

In particular, the review is expected to examine competitive aspects of electronic systems and decide whether users of plastic cards are sufficiently protected. It will not report for at least a year.

Mr Jack, 58, is a non-executive director of the Bank of Scotland and a lay member of the Securities Association, formed by a merger between the Stock Exchange and the International Securities Regulatory Organisation last year to supervise securities markets under the 1986 Financial Services Act.

The committee's two other members are Mr Geoffrey Taylor, 59, who retired as chief executive of Midland Bank last year, and Mrs Liliana Archibald, 58. Mrs Archibald was a member of the Government's inquiry into the Shop Acts—Sunday and Late Night Trading.

Grant recycling abolition likely

A BILL to abolish grant recycling — redistributing unclaimed Rate Support Grant money among all authorities — was published yesterday.

Under the Rate Support Grant system, authorities in England and Wales lose money as their spending increases, and until now any money unclaimed by councils who spend more than anticipated in the grant settlement has been redistributed among all authorities.

Councils which under-spend —and thus claim more grant than anticipated — have had the extra money funded by reducing the level of grant to other authorities.

The bill means authorities will have much greater certainty over their grant entitlement, while high-spending councils will no longer be able to recoup part of their lost grant through the recycling system.

NFC employees see 35-fold rise in shares

BY TERRY DODSWORTH

EMPLOYEE SHAREHOLDERS who bought a minimum £200 of shares in the National Freight Corporation five years ago now have holdings worth about £7,000 each.

About 7,000 of the 20,000 workers are believed to have personal shareholdings of about £24,500 in the business.

These figures were given yesterday when the company outlined a sparkling financial performance in its last financial year. In the 12 months to December, the value of the initial £1 shares issued by the group when it was denationalised in 1982 more than doubled, from £16.60 to £35.00.

Total value of the group, which was sold to its workforce for £6.5m, rose fro m£108m in December 1985 to £240m at the end of last month.

With this strong financial momentum, the NFC directors said yesterday that they would be advising their worker shareholedrs against taking the company public through a stock market flotation.

Under the terms of the buyout agreement with the Government the company was obliged after five years to ask itsshareholders whether it should go public. This issue wil therefore come up at its annual meeting on February 14.

A fierce debate is expected. NFC meetings have a reputation for strong participation from the floor, which is generally much more vocal than in quoted companies. But Sir Peter Thompson, chairman, made it clear yesterday that the board was firmly opposed to a flotation in 1987.

Sir Peter Thompson: conditions for a quotation.

At present, 17 per cent of NFC is held by several banks and institutions which helped back the group at the buyout. These organisations have shown a healthy demand for the group's stock, suggesting that a flotation could meet with strong market support.

The figures for the financial year to October 4, with pre-tax profits up by 36 per cent and sales by 12 per cent, also underlined the strong trading performance which raised enthusiasm about the group in the City.

Turnover rose from £666.9m to £747.6m, while profits before tax jumped from £27.7m to £37m, after taking into account the introduction of a charge of £2.5m for a profit-sharing scheme. Directors are recommending a final dividend of 1.32p a share to make a total of 5p a share against 3.1p in the previous year.

Mr James Watson, deputy chairman, said that the company was showing an increasingly high quality of earnings as profits from property disposals were declining and being replaced by earnings from the trading activities of the group. Most divisions of NFC, which claims to be Britain's largest freight, transport and distribution business, showed some improvement in the year.

He conceded that at the after-tax level the group was being helped by tax loss carry-forwards which led to a tax charge of only £1.7m last year. The tax charge, however, was likely to go up because most of the remaining tax losses of £93m were being carried against the parcels division which was not currently earning profits against which they could be charged.

Bus users decry deregulation

BY HAZEL DUFFY

BUS USERS in some big cities are at odds with an official report which claimed yesterday that deregulation of bus services had largely been accomplished sucessfully.

The report, by the Government's Transport Road and Research Laboratory, is the result of a preliminary review carried out a month after deregulation day, October 26 last year.

The preliminary review "provisionally concluded that the transition to deregulated bus services has been successfully accomplished, but with a number of difficulties still to be resolved. Buses are still running in the places they served before in roughtly the same quantities, and levels of subsidy have been reduced."

Reports from bus users in Newcastle, however, claim that deregulation has — as one business group put it yesterday — "shattered the integrated transport system built up over a number of years." Congestion has increased, timetables no longer have a meaning, and many passengers have lost the *benefits of through ticketing*.

In Tyne and Wear, passengers are hoping that the three-month review of deregulation—whereby operators are permitted to come off routes they have found uneconomic and new ones are established — will bring some order. The review takes place on Monday, January 26.

The TRRL report admitted congestion in Glasgow was a problem, resulting from competition between the Strathclyde bus operation and the Scottish Bus Company.

"The main streets are choked," said one Glaswegian business leader, who pointed out that the Traffic Commissioners—who have a fall back regulatory role under the deregulation legislation — have had to be called in.

The TRRL report published yesterday said: "There is insufficient evidence to predict whether the present pattern of bus services will prove stable."

Bus deregulation ... Great Britain: a review of the op... stages. Transport and Road Research Laboratory, Crowthorne, Berkshire RG11 6AV.

Third Market to open on Monday

By Alice Rawsthorn

THE Third Market, the Stock Exchange's new forum for the shares of small companies, will open on Monday by trading in the shares of eight businesses.

The new market is designed for companies too young or to *small to join the main stock* market or Unlisted Securities Market.

Three recruits to the Third Market have transfered from the over-the-counter market which has sprung up off the Stock Exchange floor: Allied Insurance Brokers is a non-marine and life assurance broker which will be introduced by Guidehouse; Publishing Holdings, sponsored by Greig Middleton, is involved in magazine publishing and financial marketing; and Guidehouse is also a sponsor for Theme Holdings, a London restaurant group.

Two of the eight are oil exploration companies which have traded their shares under the Stock Exchange's rule 535(3). Aberdeen American Petroleum is sponsored by Rowe and Pitman; and Eglinton Oil & Gas by Greig Middleton.

Only one of the eight companies intends to raise new capital from its Third Market issue. The Unit Group, which makes timber pallets, is staging a Business Expansion Scheme sponsored by Guidehouse.

Abelscot, which has interests in graphic materials, will join the market in an introduction through Alexanders Laing & Cruickshank. Catalyst Communications, a marketing services and media group, which has never traded its shares publicly before, will be sponsored by Brewin Dolphin.

Initially the exchange had *expected* up to 25 companies to join the market on the first day, but the preparation process proved more time consuming than many small businesses had expected.

Between 100 and 200 ... expected to be quoted on the new market by the end of its first year.

Background, Weekend FT

Thatcher tries to limit damage over spy satellite disclosures

BY JOHN HUNT

MRS THATCHER moved swiftly yesterday to exert her authority in the row over the spy satellite disclosures and to limit the political damage to the Government.

It was announced that the matter would be debated in the Commons next Tuesday. The Prime Minister and Sir Geoffrey Howe, the Foreign Secretary, denied that the Government had been incompetent in its attempts to prevent publication of details of the £500m Zircon spy satellite project.

Although the project comes under Mr George Younger, the Defence Secretary, Mrs Thatcher has now given Sir Geoffrey the main responsibility for handling the controversy.

It became known yesterday that a group of ministers discussed this latest embarrassing security leak at a private meeting in the Commons on Thursday.

When Mrs Thatcher left, Sir Geoffrey took the chair. The Foreign Office has an interest in the satellite as the Government Communications Headquarters at Cheltenham comes under its control.

In next Tuesday's debate—which was announced yesterday by Mr John Biffen, Leader of the House—Labour will attack the Government for "bungling" its attempts to prevent information being published about the top-secret project.

On Wednesday the High Court granted an injunction to Sir Michael Havers, the Attorney-General, restraining Mr Duncan Campbell, the journalist, from publishing details. A television programme Mr Campbell had made had been banned by the BBC *on national security* grounds.

In spite of this, Mr Campbell published a long account of the spy satellite project in the New Statesman magazine and some details were reported on ITN news bulletins. Labour MPs were prevented from viewing the film at the Commons.

Yesterday, in an interview on Independent Radio News, Mrs Thatcher said the Government had acted as swiftly as it could within legal restraints to prevent publication.

She criticised those who disclosed *such information* and found it "very significant" that details had been given in a left-wing journal such as the New Statesman.

She said she was concerned when information was published that could damage Britain's armed forces, but emphasised that it was not possible to get a "blanket" injunction from the courts.

Individuals had to be named and there had to be firm evidence of their intention to publish. She thought the electorate would be "pretty disgusted" with those who published information of use to an enemy.

Sir Geoffrey, at a press conference in Bristol, said he could not accept that the Government had been incompetent. Action had been taken in the courts at the earliest possible moment on the basis of evidence available at the time.

Assurances that newspapers would not publish information on the Zircon project disclosed in the BBC programme have been sought from Fleet Street editors by Sir Michael Havers.

A letter to editors from the Treasury Solicitor, writing on the Attorney-General's instructions, asks for "an assurance that your newspaper will not publish anything relating to the subject matter falling within the injunction granted . . . against Mr Duncan Campbell on January 21 and concerned with a project for intelligence collection which was to have been included in a BBC programme entitled The Secret Society."

Prime Minister moves to stop election speculation

BY JOHN HUNT

MRS THATCHER tried yesterday to dampen speculation about an early general election following reports that some ministers now favour going to the country in June rather than October.

The Prime Minister also defended the City against recent criticisms and emphasised its contribution to Britain's balance of payments.

Mr Paul Channon, Trade and Industry Secretary, speaking to the Centre for Policy Studies Conference on Industrial Policy, *stressed the Government's determination* that the framework of laws and rules must be observed in the City.

Mrs Thatcher, interviewed on independent radio news, was asked about the date of the general election. She replied ... could only say it would be before ... not tempted to call an early election "just because some opinion polls favoured the Conservatives."

People accepted that governments had to complete a pretty good part of their five-year term before they could even *consider going* to the country.

She expected to fight the election on the Government's record and to win with a good majority. But she was irritated by "election fever" which disturbed people and created uncertainty.

Asked about Labour allegations that she would "cut and run" because of the danger of an economic crisis, she said firmly: "There is no possibility of that happening under this Government."

The Labour Party criticised the City, which was in fact the greatest single contributor to the UK balance of payments. It would be better if people recognised that and encouraged it instead of making wild allegations.

Mr Channon said everyone accepted the need for a tough framework of laws and rules to govern the City.

"I think the Government has made crystal clear in recent weeks its determinaion to make sure those rules are obeyed," he said.

He maintained that the Government did have a coherent and effective policy towards industry. But government could not tell business what to do. It was the market alone which was capable of picking winners.

European by-election set for March

By Our Political Staff

A BY-ELECTION for the European Parliament will be held on March 5 in the West Midlands Euro-constituency, which covers an area that will be crucial to party fortunes in the general election.

The West Midlands vacancy was caused by the death in October of the sitting Labour MEP, Mr Terence Pitt, who had a majority of 19,685 in 1984.

The Conservatives have selected Mr Michael Whitby, a Smethwick businessman, as their candidate. Labour and the Liberals will make their selections shortly.

● Conservative Party chairman Mr Norman Tebbit has issued a writ for libel against The Guardian newspaper, Tory headquarters announced today.

The writ concerns an article by Hugo Young, published on January 6 which claimed that Mr Tebbit *once* said: "Nobody with a conscience votes Conservative."

Mr Tebbit, in a letter to The Guardian and in exchanges in the Commons this week, has fiercely denied uttering such a remark. Mr Tebbit sought the Prime Minister's permission before the writ was issued.

Report criticises standard of rented accommodation

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

MORE THAN four-fifths of houses in England and Wales divided for multiple occupation as bedsits, flats, lodgings and hostels are unsatisfactory, according to a Department of the Environment report.

The report surveyed 553 properties and interviewed 1,693 tenants and 368 landlords.

It concluded: "There are some extremely squalid conditions within houses in multiple occupation, and their existence is an indictment of national and local government housing policy over many years."

The most common defects were shortage of facilities for preparing and storing food, a WC, sinks, basins, baths, showers and proper ventilation.

The report also found that four-fifths of houses in multiple occupation had "defective, inadequate or non-existent" fire escapes.

"This was a problem affecting virtually all houses in multiple occupation containing fewer than three units and 90 per cent of those owned by private resident landlords," it says.

The report emphasises that the "generally unsatisfactory" conditions are not all the fault of mean and exploitative landlords.

The findings have been backed by the Association of Metropolitan Authorities. The AMA's own study of multi-occupant houses in London, to be published in March, found that their condition was worse than those in the rest of the country.

The AMA wants greater powers to be given to local authorities to force landlords to repair their property.

The 1985 physical and social survey of houses in multiple occupation in England and Wales; HMSO; £13.00.

Helipo... scheme rejected

BY LYNTON ...

A HELIPORT ... not be built in London's ... ands because a governme... would be a nuisance to... decided th... ents.

Mr John ... today, a Department of th... ironment inspector, rejec... e application by Blue Sta... Management because ... heme would not contrib... the redevelopment of the ...

Blue ... Ship Management had ... to locate a helicopter landing and take-off pad on a floating pontoon moored on the River Thames off Chambers Wharf, Bermondsey. The company used to have a similar heliport at Blackfriars nearby.

Bermondsey residents and the London Docklands Development Corporation opposed the scheme because it would create noise, disrupt schoolchildren and could lead to more traffic in a largely residential area.

ECONOMIC DIARY

...ROW: West German ... election.

...AY: EEC Foreign Minis... meet in Brussels. Islamic ...it meeting in Kuwait. ...sh Telecom engineers begin ...ndefinite strike over pay. ... David Owen and Mr David ...el launch Alliance election ...tform.

...UESDAY: British Airways expected to announce price for its share flotation. CBI indsutrial trendsh quarterly survey (first quarter). President Reagan gives State of Union address to Congress.

WEDNESDAY: Balance of payments *current accounts and* overseas trade figures (December). New construction orders (November). Bricks and cement production (fourth quarter). EEC Economic and Social Committee in plenary session in Brussels (until January 29). TUC General Council meets.

THURSDAY: Energy trends (November). New vehicle registrations (December). London sterling certificates of deposit (December). UK banks' assets and liabilities and the money stock (December). Financial Times conference "The second FT Defence Conference—entering the American market" at the Hotel Inter-Continental, W1 (until January 30). Lord Young, Employment Secretary, attends Action for Jobs presentation.

FRIDAY: Sales and orders in the engineering industries (October). British Airways prospectus published. South African President Botha to announce date for whites-only election.

Channon to see takeover study

By Martin Dickson

THE DIRECTOR-GENERAL of Fair Trading should have the power to refer takeovers directly to the Monopolies and Mergers Commission on grounds of competition without securing the agreement of the Trade and Industry Secretary, according to a paper from the Nottingham University Institute of Financial Studies.

The paper, written by Professor Brian Chiplin and Dr Mike Wright under the auspices of the Institute of Economic Affairs, is being submitted to Mr Paul Channon, the Trade Secretary, who is reviewing competition policy.

The proposals would still allow the minister to refer bids on grounds other than competition.

The paper also argues that mergers with anti-competitive effects should have to show positive benefits, rather than merely demonstrate they are not against the public interest.

Shopping centre to be built over Hull dock

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

HULL IS to have a new shopping centre built over water in a disused dock close to the city centre. Land Securities, the biggest property development and investment company in Britain, said that it is joining the Teesland Group of North Allerton and Balfour Beatty, the construction group, in the £54m development.

Investment in the shopping centre underlines the continuing enthusiasm *of property companies* for retail schemes, which, in recent years have provided consistently higher returns than other commercial property developments.

Land Securities' announcement coincided with the disclosure by Peel Investments that *it is to develop* a 200,000 sq ft shopping and business park outside Epsom in Surrey. Its investment value is £20m.

At the same time Waterglade *International said it* would be developing a £20m shopping centre at Havant in Hampshire. All the freeholds at the centre will be held by the Havant Council and leased to Waterglade.

The new shopping centre for Hull has the added dimension of being part of a wider, but unorganised, process of rehabilitating old docklands. In London, Cardiff and Merseyside this is being done under the aegis of development corporations sponsored by the Government.

At Southampton, AB Ports is regenerating the waterfront and turning it to uses other than shipping. AB Ports also has a scheme on its own land near Hull, away from the city centre.

The Land Securities-Teesland-Balfour Beatty venture is on dockland *owned* by the City of Kingston upon Hull, adjacent to the city centre. The City has already granted planning permission and are said to be keen to promote inner city growth.

Tony Jackson on over capacity in paper-making

Finns unwrap investment in a paper paradox

THE long-awaited decision by Kymmene-Stromberg of Finland to go ahead with its big paper mill at Irvine in Scotland has two elements of paradox.

First, it confirms the odd situation whereby making British paper from British trees has become a Finnish monopoly. Second, it is an important investment in an area of the market where over-capacity is already becoming a serious problem.

The Irvine mill will produce 170,000 tonnes a year of light-weight coated paper (LWC) for magazines and catalogues. This grade lies half way between the heavy glossy paper used in magazines like Vogue and Country Life and the cheap non-glossy paper used in down-market magazines.

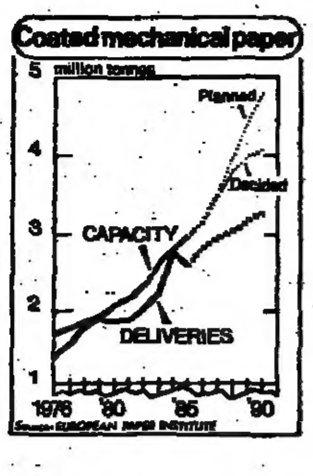
LWC is one of the fastest growing sectors of the paper market. The UK consumes up to 150,000 tonnes of it a year, but it has never been made in Britain.

The UK industry has been wary of the massive investment needed. LWC uses a mixture of chemical pulp—of which the mill will import 50,000 tones a year—and mechanical pulp, the cheapest kind of pulp used to make newspapers.

The snag is that the mechanical pulp must be made in a continuous process on one site, from tree to finished paper, otherwise it costs too much. Every European producer of LWC uses an integrated process and it was never possile to make LWC in Britain without using local trees.

At one point, this had almost stopped happening across paper making as a whole. In 1979 there were only eight pulp mills left in the UK. By the middle of 1981 that had dropped to three, all of which were making packaging grades rather than printing and writing papers.

From that low point, the British industry has staged something of a comeback. However, the big investments have



been left to foreign companies. Newsprint manufacture had stopped almost entirely until Consolidated Bathurst of Canada re-opened the Bridgewater Mill at Ellesmere Port, Merseyside, which had been closed down by Bowater (though this mill does not use local wood).

United Paper Mills of Finland then built a newsprint mill at Shotton, Clwyd, using Welsh and Scottish timebr. To date, this is the only mill in the UK making print quality paper from local trees.

For Finnish producers, the attraction is evident. First, Finland, like Sweden, has strictly limited supplies of trees and has been importing in recent years, including from the UK. Second, and more important, the UK market is large, growing and unsupplied domestically.

However, the problem of over-capacity in the European market for LWC is a real one and the source of some alarm in the European industry.

Mr David Clark of the Paris-based European Paper Institute reckons that European demand for LWC last year — exports included — was around 2.8m tonnes. Capacity stands at 3.2m tonnes and though the market is growing rapidly — by at least 4 per cent a year — capacity is growing even faster.

"By 1990," says Mr Clark, "capacity will be 4.6m tonnes on the basis of what has now been decided, the Irvine mill included. The trend for consumption points to 3.3m tonnes. In percentage terms, as well as absolutely, the gap is widening and that can only mean lower operating rates and profitability."

So what is Kymmene-Stromberg up to? "They are competitors in the market," Mr Clark says. "Their last machine in this grade was built in 1981 and now that they see their competitors moving they have to refend their position."

Another worry has to do with the dollar. Use of LWC is primarily determined by advertising volume in magazines and light-weight glossy catalogues which are cheap to post. In 1984 particularly, the booming US economy and the strong dollar made the US an attractive new market for European LWC producers. With the dollar now in reverse, that volume could return to Europe and add to the problem.

However, as Kymmene-Stromberg points out, the growth is still there in the market, even if it takes until the early 1990s before the investment starts to pay off. This points to a difference between British and Scandinavian attitudes, which may account for the Finnish monopoly in UK pulp making.

Paper-making is of central importance to the Scandinavian economies and the view of investment is correspondingly long-term.

British paper producers have been through a traumatic twenty years of failure and decline. This process has lately gone into reverse and there is a welcome return of confidence and expansion in the domestic industry. Projects on this scale, however, still seem to be exclusively a foreign province.

Shipbuilders intervene over Smith's Dock deal

By Our Labour Correspondent

THE shipbuilding unions have interevened at national level over the radical flexibility and procedure deal agreed locally with the consortium planning to buy the Smith's Dockyard in Middlesbrough.

The Confederation of Shipbuilding and Engineering Unions yesterday wrote to the consortium, seeking a meeting to discuss the deal agreed in principle by the Tees and Hartlepool confederation committee.

Mr Alex Ferry, the confederation's national secretary, said the move was an attempt to discuss the negotiations with the consortium on a proper basis. It did not mean the deal would be vetoed.

It was clear yesterday, however, that some national leaders of the shipbuilding unions were unhappy that the deal for only two unions — the AEU engineers and GMBU general union — is to represent the entire Smith's dock workforce.

The deal also provides for maximum possible flexibility among trades. In return, the US-Arab consortium has set out plans to employ by December virtually as many workers as the 1,295 being made redundant by British Shipbuilders — and almost twice as many by December 1989.

BS said last night it was still expecting to complete the sale of the yard, despite suggestions of divisions within the consortium.

● The Mersey Docks and Harbour Company has achieved its target of 300 redundancy applications from its 1,195 registered dock workers under the latest severance scheme. Men with 15 years' service or more were entitled to a record £35,000

Broadcasters to shed 34 jobs

By Helen Hague, Labour Staff

MANAGEMENT at Independent Radio News and at the London Broadcasting Corporation are seeking to shed 34 jobs—a fifth of the current workforce as part of a drive to introduce new technology.

The planned redundancies would wipe out the presence of two unions on the stations— tainment Trades Alliance and the National Graphical Association.

In addition, management wants to make 10 technicians, members of the ACTT, and 11 members of the National Union of Journalists redundant. It has offered the NUJ a two-year pay deal linked to cost of living increases plus a rise for new technology.

Unions at the stations last night accused management of "supreme arrogance" and said they intended to fight the proposals.

Government offers extra £167m to boost university staff salaries

BY DAVID BRINDLE, LABOUR CORRESPONDENT

THE GOVERNMENT has offered an extra £167m over the next three years to boost the pay of 35,500 academic and related staff in universities.

The maximum annual additional sum—£70m in the third year, 1989-90—represents about 10 per cent of the present £886m salary bill. This compares with the 16 per cent government contribution sought by vice-chancellors and union leaders.

Mr Steve Rouse, the university employers' secretary, said last night it would be extremely difficult to preserve the full salary restructuring agreement for which the Government funding had been required.

The agreement provides for average pay rises of 24 per cent over two years. A consultants' report last year found that the present main salary scale of £8,020 to £15,700 left university lecturers 44 per cent behind their contemporaries by the age of 32.

Mr Kenneth Baker, the Education Secretary, yesterday took the highly unusual step of visiting the House of Lords to try to win the support of cross-bench peers for the controversial Teachers' Pay and Conditions Bill. Mr Baker's move was seen as a sign of concern that the bill, introducing an interim advisory committee on teachers' pay and allowing him to impose a settlement of the present dispute, might be amended in its committee stage in the Lords next week. Meanwhile, the TUC yesterday sought an urgent meeting with Mr Baker after claiming he had misrepresented to the Commons the nature of the union's proposed alternative to the advisory committee.

The Government's offer of additional funding, over and above that set out in last week's Public Expenditure White Paper, reflects concern that academics may be being attracted away from universities into industry and overseas.

Mr Kenneth Baker, Education Secretary, told leaders of the Association of University Teachers yesterday that he had won Cabinet approval to take £40m from contingency reserves for university pay in 1987-88.

A total of £56m would be available in 1988-89 and £71m in 1989-90. These figures were final, he said, and were conditional on implementation of a pay structure giving greater flexibility and allowing appraisal of staff performance.

The minister's long-awaited commitment disappointed the AUT, which has been threatening a campaign of disruption including refusal to mark final examination papers in the summer term.

Ms Diana Warwick, the union's general secretary, said: "With a general election coming up, it is extraordinary that the Secretary of State's reputation for nifty footwork seems to have deserted him and that he has taken such a long-term and grudging approach to a major problem that requires immediate attention."

The AUT, which has not withdrawn its action threat, will meet the vice-chancellors next Wednesday. However, a more important meeting is likely the next day when the Committee of Vice-Chancellors and Principals has callen an emergency, all-members session.

The universities had budgeted 8 per cent from their existing funds towards the pay agreement, but wil now have to try to find more and will have to press the AUT to accept a scaling-down of the 24 per cent deal.

BT pins hopes on crumbling union support

BY DAVID THOMAS AND CHARLES LEADBETTER

BRITISH TELECOM is pinning its hopes on a crumbling of support by union members for the dispute between itself and the National Communications Union.

BT senior executives now appear resigned to an all-out strike by the NCU's 110,000 engineering members beginning on Monday.

Mr John Golding, the NCU's general secretary, accused BT of adopting a "bunker mentality." The dispute follows the collapse of long-running pay and productivity talks.

The union called the strike after the company refused to reinstate engineers suspended for taking part in an overtime ban, or to allow staff on 24-hour strikes to return to work without signing a "loyalty pledge."

Yesterday the company stepped up its attempts to persuade NCU members to return to work, by allowing them to give only a verbal assurance that they would work normally.

Senior managers at BT believe that many NCU members want to return to work. But a small number who had returned to work in the North of Scotland and Northern Ireland who join the strike on Monday, the NCU said.

BT said it would take several weeks before a large number of customers are affected by the dispute.

It says it would welcome customers using non-BT engineers to repair faults if BT engineers are unavailable. BT's monopoly over maintenance of equipment such as private exchanges has been removed through liberalisation.

More than 800 middle-managers in the City of London area have told BT they would consider taking industrial action, if the dispute with the engineers is not settled by next Friday.

Whose power is really behind the button?

Charles Leadbeater and David Thomas look at the balance of forces in the BT dispute

THE IMPENDING strike by 110,000 British Telecom engineers raises a crucial question for the company: whose power is really behind the button made famous in BT's pre-privatisation advertising campaign?

A ballot held before Christmas, which might have been BT's trump card, has turned into one of the National Communication Union's chief assets. Its members voted four-to-one for industrial action.

ballot revealed deep hostility to the way BT wanted to tie pay to productivity measures. It even surprised us. This is a members' dispute, it will not end until they change their views," says Mr John Golding, NCU general secretary.

The strike, which starts on Monday, will have an immediate effect on services.

BT's 21m customers generate an average of 25,000 faults a day, which engineers try to clear up within 24 hours.

But BT will enter the strike with a higher than normal backlog of faults for two reasons: the overtime ban the union launched almost two weeks ago; and the recent bad weather.

In the Medway towns, for instance, there were 500 unrepaired faults last Sunday, according to the union. By Thursday they had risen to 2,500.

Mr Barry Bailey, BT's assistant general manager for the City, wrote to the local union branch this week: "Due to the inclement weather we have an unprecedented high level of system type faults."

He said that routine and unconfirmed faults should no longer be tackled because "the situation has worsened to such an extent we must take urgent remedial action."

The union claims that in several towns—Nottingham, Oxford, Swindon—operations of the central exchanges have collapsed, cutting off callers for several hours.

BT insists, however, that the basic network, much of which has been modernised is resilient enough not to show the impact of a strike for several weeks. It points out that managers kept the international exchanges running for several weeks during the 1983 dispute.

BT will be relying on the co-operation of middle managers to repair faults, but middle managers in the City have said they may take action in support of the engineers.

More unpredictable is the impact of the dispute on equipment on customers' premises, such as their private exchanges. Here it will be a question of luck: customers might be hit by faults in their exchanges which knock out their whole 'phone operations; or they might survive the dispute without disruption.

The union is already circulating unconfirmed reports about companies running into difficulties. It says links between central computers and cash dispensers have been cut, for example.

Mr Golding believes the engineers are prepared to stay out, despite the union's inability to provide strike pay.

However, senior BT executives believe there may be a move to return to work among engineers unhappy with the union's tactics.

BT offered improved pay deals to both clerical workers and the Society of Telecom Executives, which represents middle managers.

While the engineers have hardened their position by insisting that pay and productivity should be dealt with separately, it may be that a pay addition would be enough to tempt them back into talks.

Industrialist urges partial privatisation

BY JOHN WYLES

THE CASE for a more partial approach to privatisation than that favoured by the British Government was argued in London yesterday by Mr Romano Prodi, president of Iri, the Italian state holding company.

Mr Prodi is a strong critic of British industrial policy, which he believes has cost too many jobs.

In a lecture at the London School of Economics he said partial privatisation—in which Iri retained management control of companies but encouraged private equity — had been an important part of the state group's recovery programme. In 1982 Iri's losses were L2,680bn (£1.3bn) — more than 8 per cent of its turnover—but the group broke even last year after restructuring.

Since 1983, Iri had placed nearly L3,000bn worth of its subsidiaries on the stock market with the result that Iri's ownership had fallen "sometimes, like in the case of Sip (telephones), Italcable (telecommunications) or Cementir (cement), just to the level to hold absolute majority."

Mr Prodi stressed the value of private shareholders as a stimulus to performance. While Iri companies accounted for 22 per cent of the total capitalisation of the Milan stock market in June 1986, they paid out 35 per cent of total dividends.

APPOINTMENTS

Home loans chief for NatWest

Mr H. A. "Gil" Gillis has been appointed managing director of NATIONAL WESTMINSTER BANK'S wholly-owned subsidiary, National Westminster Home Loans, Birmingham. He succeeds Mr Richard Archer, who becomes principal of the bank's staff college, Heythrop Park, Oxfordshire.

★

CREDIT SUISSE FIRST BOSTON, London, has appointed Mr Christopher Carter as director, syndicate, in charge of all equity and equity-related products. He comes from Salomon Brothers.

★

BANK JULIUS BAER has appointed Mr Gert Reiff to head its capital markets division as senior vice president. He joins from J. Henry Schroder Wagg & Co.

★

VALIN POLLEN has apopinted Mr Jeremy Miller as group head and account director. He joins from Hill Knowlton where he was the director of the industrial and technology division.

★

The following will be joining the board of TOUCHE REMNANT HOLDINGS: Mr D. H. Carter, Mr H. J. Gittings, Mr P. Kysel, Mr P. V. S. Manduca, Mr J. R. Pratt, and Sir William P. M. Vincent.

★

EUROPEAN HOME PRODUCTS has appointed Mr Leslie Dingle as deputy managing director and finance director from May 1. He has now joined the board in a non-executive capacity. Mr Dingle is group finance director of Haden Group where he was one of the team which implemented a management buy-out two years ago. He will continue on the Haden board as a non-executive director. Mr Guillermo Porrati has also been appointed to the board. He was group industrial products manager. With these two appointments Mr Anders Brag will revert to serving as a non-executive director.

★

OTTO-SIMON CARVES, Stockport, has appointed Dr C.-O. Still as director and chairman, and Mr L. A. Watson, engineering director, becomes managing director. Lord Gregson, a director of Fairey Group, has been appointed a non-executive director. Following their retirement as chairman and managing director respectively, Mr F. W. Middelmann and Mr A. P. Smith have been appointed non-executive directors.

★

Mr Martin Jones has been appointed sales director of SIMNETT'S. He was sales manager.

★

Mr Alex McClean has become finance director of VALCAST PRODUCTS while Mr Bernard Fergusen, formerly of Cosworth Engineering, joins the company as works director. At the same time Mr E. A. Rice, technical director, retires from his executive responsibilities but will continue as a consultant. Valcast Products was acquired in January 1986 by Birchwood Holdings.

★

Joining the board of SYCAMORE HOLDINGS are Mr Peter M. Lane, Mr David Pickles and Mr Alan W. Scarfe.

★

Mr Barry Aling, Mr Michael Bird and Mr Jonathan Britton have been appointed executive directors and join the board of SWISS BANK CORPORATION INTERNATIONAL, London.

★

Mr Trent Harris has been appointed managing director of BRITISH TEXTILES MANUFACTURING CO, knitwear subsidiary of Hicking Pentecost. He has also been appointed to the main board of Hicking Pentecost. Mr Harris joins from Wolsey, part of the Courtaulds Textile Group, where he was deputy chief executive.

★

HONEYWELL INFORMATION SYSTEMS has appointed Mr Terry Stones as staff director. Replacing him will be Mr Graham Rowley, as director, systems division. Mr Mike McLoughlin, previously director marketing services, succeeds Mr Rowley as regional director, southern region. Mr Tom Hendry, director, planning and business development, becomes director, product management and support. Mr Fred Bullock, branch manager at Honeywell's Littlewoods branch in Liverpool (Littlewoods is Honeywell UK's biggest customer), becomes director, planning and business development.

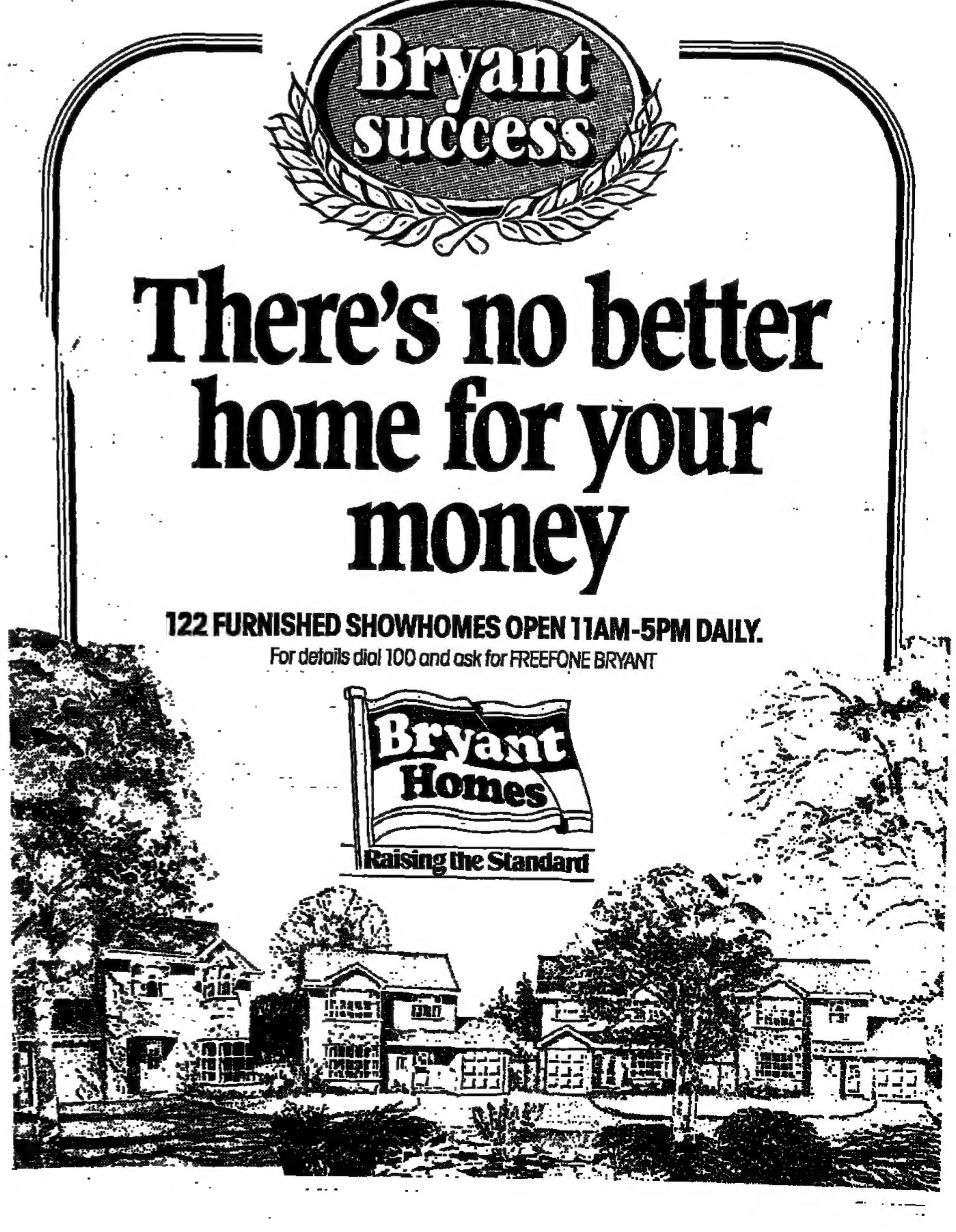
★

Mr Brian Morley has joined LONDON FUNDING AND MANAGEMENT as manager, corporate finance, from Awardbond Holdings, whose activities have been merged with London Funding and Management. He was managing director of Awardbond and it is expected that Mr Morley will join the board of London Funding and Management.

BASE LENDING RATES

	%		%		%
ABN Bank	11	● Charterhouse Bank	11	● Morgan Grenfell	11
Adam & Company	11	Citibank NA	11	Mount Credit Corp. Ltd	11
Allied Arab Bk Ltd	11	Citibank Savings	¶12.45	Nat Bk. of Kuwait	11
Allied Dunbar & Co	11	City Merchants Bank	11	National Girobank	11
Allied Irish Bank	11	Clydesdale Bank	11	Nat Westminster	11
American Exp. Bk	11	Comm. Bk. N. East	11	Northern Bank Ltd	11
Amro Bank	11	Consolidated Credits	11	Norwich Gen. Trust	11
Henry Ansbacher	11	Co-operative Bank	*11	PK Finans. Intl (UK)	11½
ANZ Banking Group	11	Cyprus Popular Bk	11	Provincial Trust Ltd	12
Associates Cap Corp	11	Duncan Lawrie	11	R. Raphael & Sons	11
Authority & Co Ltd	11½	E.T. Trust	12	Roxburghe G'rantee	11½
Banco de Bilbao	11	Equatorial Tst C'p plc	11	Royal Bk of Scotland	11
Bank Hapoalim	11	Exeter Trust Ltd	11½	Royal Trust Bank	11
Bank Leumi (UK)	11	Financial & Gen. Sec.	11	Standard Chartered	11
Bank Credit & Comm	11	First Nat. Fin. Corp	11½	Trustee Savings Bnk	11
Bank of Cyprus	11	First Nat. Sec. Ltd	11½	UDT Mortgage Exp.	¶12.25
Bank of Ireland	11	● Robert Fleming & Co	11	United Bk of Kuwait	11
Bank of India	11	Robert Fraser & Ptrs	12	United Mizrahi Bank	11
Bank of Scotland	11	Grindlays Bank	‡11	Westpac B'nking Corp	11
Banque Belge Ltd	11	● Guinness Mahon	11	Whiteaway Laidlaw	11½
Barclays Bank	11	HFC Trust & Savings	11	Yorkshire Bank	11
Benchmark Tst Ltd	11	● Hambros Bank	11		
Beneficial Trust Ltd	12	Heritable & Gen. Tst	11		
Berliner Bank AG	11	● Hill Samuel	§11		
Brit. Bk. of Mid. East	11	C. Hoare & Co	11		
● Brown Shipley	11	Hongkong & Shangh'	11		
CL Bank Nederland	11	Lloyds Bank	11		
Canada Permanent	11	Mase Westpac Ltd	11		
Cayzer Ltd	11	Meghraj & Sons Ltd	11		
Cedar Holdings	12	Midland Bank	11		

● Members of the Accepting Houses Committee. * 7-day deposits 6.69%. 1-month 7.09%. Top Tier—£2,500+ at 3 months' notice 10.03%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¾% gross. ¶ Mortgage base rate. § Demand deposits 6.69%. Mortgage 12¼%.



FINANCIAL TIMES

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Clouds gather over trade

THE DOLLAR "crisis," which is in our opinion not a real crisis at all, has been absorbing so much attention in recent days that there has been little to spare for the real international problems which will have to be tackled in 1987.

The first is the threat of trade war, which is pressing, but can probably be contained, given restraint and commonsense—which cannot be taken for granted. The more insidious threat is that world economic growth, for which forecasts are already being revised downwards, will slide towards a true recession, and that any corrective action will be left until too late.

There are only a few days left to muse about the possibility of a trade war, for it now seems almost inevitable that in just over a week the US will fire what will be regarded in Brussels as the first shot, with prohibitive tariffs on a range of European food and drink exports. The Americans argue that this is precise retaliation for an earlier European Community offence — the loss of a Spanish market for feed grains worth $400m (£263m) annually to the hard-pressed US farm sector.

The EEC responds that the cut in Spanish industrial tariffs, which has also resulted from EEC enlargement, offers compensation, but this cuts no ice in Washington. Spanish tariffs against EEC industrial exports have been cut more sharply, and the US suspects that it is a loser on balance. The US action will no doubt be negotiable, and European governments must be aware that there is an important internal battle to be fought in Washington. The President and the Democrat-controlled Congress will both be sponsoring trade bills. The President, who is fundamentally a free trader, is struggling to keep the initiative on this issue. Initially aggressive action against Brussels seems to be part of his plan.

The signals from Brussels have been mixed. The European Commission has made threats of instant counter-retaliation if and when the US duties are imposed; but in private, ministers have been talking of going to almost any lengths to avoid such a confrontation. Such ministers should speak out in public, partly to help the President — almost certainly the lesser of the available evils in this dangerous field. Above all, though, self-restraint is needed; while any US protectionism is likely to be damaging to the US and its partners — as Mr James Baker, Treasury Secretary, stressed in his Congressional evidence this week — a trade war would be a major international disaster.

It is partly to head off this danger that the US Administration is still, though more hesitantly, encouraging the dollar to decline, or at least doing very little to check its fall. Those with memories of its apparent strength less than two years ago, and its headlong fall against the main hard currencies since then, may well wonder if anything at all is achieved by these massive adjustments.

In fact this sluggish response, and the more telling fact that US import prices, in dollars, have barely begun to rise, is a measure of the absurd overvaluation achieved in 1984. Exporters to the US priced their goods against US competition, and pocketed extraordinary profits. Much of the profit has gone for Japanese and West German exporters, although not for British, Canadian, Latin American and other suppliers. But the US competition still sets the price levels.

Indeed it is only now, after the massive devaluation already imposed, that we are entering controversial territory, where some experts feel the fall has gone far enough, but others want more. We incline to the second view. Even if the US deficit is badly overstated, as it probably is, and even if it can be financed at present levels more or less indefinitely, which seems neither likely nor desirable, it will require a steady growth of US net merchandise exports simply to service the growing international debts which are being incurred. The US must actually outperform its 1970s trading achievements.

Whether the dollar stabilises at somewhere near its present levels, or a few, crucial percentage points lower, it is no longer expected to recover to the levels set not long ago in the Baker-Miyazawa agreement — basically an exercise in damping the market. The consequences are now being taken in by European and Japanese forecasters.

As a result they are tearing up the hardly inspiring growth forecasts which ruled the consensus at the end of last year, looking for average world growth of 2½ per cent, and substituting lower numbers.

These gloomier forecasts seem to bear out the warning which the Americans have been issuing, increasingly angrily, for more than a year — an argument glossed over as "international policy co-ordination." Until now the warnings have been ignored. Now that they look so plausible, there may at length be some response in terms of tax cuts or other stimulants; but unless there is a further change in the atmosphere, such action is likely to be too little and too late.

No way in, no way out

KELVIN MACKENZIE, the irrepressible editor of Britain's biggest-selling newspaper, the Sun, will next week lead his journalists in an anniversary celebration. Balloons, a huge cake, a brass band: they will fete a year's uninterrupted production of News International's newspapers at Wapping.

Outside the East London plant today another band, stalls and a demonstration will also be marking the moment. Between the two stand — as they have stood throughout the twelvemonth — razor wire, steel fencing, arc lights, monitor cameras, police: the panoply of defence that defines the difference between the two demonstrations—outside wants *in*, inside wants to keep the outside *out*.

In the year since Rupert Murdoch, News International's chairman, masterminded the move of his UK newspaper production from his old central London sites to the £100m Wapping plant (and its Glasgow satellite), that difference has remained constant: nothing has changed.

Events have swirled round the dispute: the worst industrial violence since the 1984-85 miners' strike; the unmasking of the duplicitous role played by the EETPU electricians' union and its arraignment before the TUC; the rejected offer to the unions of the old Sunday Times works to start their own paper; legal action; of which the latest damages case may be the most harmful to the already financially hammered unions; and two ballots rejecting painfully concluded settlement terms. In spite of all these things, the core of the dispute has remained absolutely immutable.

For a year, Mr Murdoch has got his four papers — the Sun, the News of the World, The Times and The Sunday Times — out of Wapping. Circulation figures for all four are down — The Sunday Times by more than 8 per cent, the others by 2-3 per cent.

But mostly, it has been an industrial tour de force. Nothing the unions have done has been able to match, let alone dent, the audaciousness of Mr Murdoch's move, in sacking his 5,500 workers when they went on strike.

"If they were playing poker with us, they lost," says Bill O'Neill, the company's new managing director. Claiming that "the unions got their sums wrong — we got our arithmetic right," O'Neill — an ex-Californian compositor — is unequivocal: "The print unions have been fooled by their own propaganda for so long that they actually came to believe in the myth that they were not replaceable. Not so."

Brenda Dean, general secretary of the largest print union, Sogat '82, says the dispute will be "an uphill struggle." Like the miners' strike, the Wapping dispute has become grindingly hard for those still involved—1,750 settled individually, many of the 5,500 have got other jobs, leaving a core actively involved of perhaps a third of those originally sacked.

But why has the Wapping dispute failed to unite the unions? There has been much provocation with a prominent local union leader jailed and a multinational employer manufacturing in an armed camp. Moreover, in Brenda Dean, there is an able, articulate and reasonable union advocate.

Partly it is that the victims of Wapping have suffered nothing worse than many other in British industry: technological change, new ways of working, union de-recognition and job losses.

Even other print union members tend to feel that once-cosseted London printworkers do not *merit* their support. As the internationally-minded Mr Murdoch puts it: "This is very much a little London thing."

In the national newspaper industry, though, it *has* mattered. Though some other newspaper executives deny it, the claims of Mr Murdoch and his aides that Wapping has changed the rules clearly have force. Since his dockland flit, virtually every other title has announced plans for change so radical that it would have been laughed out of existence even two years ago. Today the print unions are negotiating these deals or have signed, as at the Daily Telegraph, even though Wapping may not be directly repeatable (no other house holds the ace cards—yet—of an alternative plant, workforce and distribution system).

Theoretically, Wapping's sheer duration — Ms Dean is far from alone in not seeing much prospect of an early end to the dispute — has given the London print chapels time to regroup, to gather their strength. They need to: the unions have taken terrible financial blows in the dispute, to the point where Sogat nationally is in what Ms Dean calls "severe" financial difficulties, even though most of its local branches remain financially undamaged.

Many in the unions would like to get it over with. So too would News International, which would like to "normalise" relations with the unions, the Labour Party, the local community and the police. It would like to: but it does not *need* to — it never has. Far from it, in some ways: profitable Wapping has sharply increased the company's international financial standing, and its profits — a 143 per cent increase in the profits of the UK division of Mr Murdoch's International News Corporation helped push overall earnings up by 152 per cent to £117m in the year to last June.

Wapping itself is set for further "giant" expansion, according to a recent internal letter to staff, which forecasted that "we expect to treble our print capacity in London, beef up Glasgow and possibly establish a satellite publishing centre in the North." Despite the dispute, Ms Dean is still anguished that her members currently cannot be part of that growth.

There is no sign of this changing. The unions do not have — they have never had — a strategy which looks likely to help draw the dispute to a close.

"We have said to our people that we will be with them for as long as we can, short of the end of Sogat," says Ms Dean.

Brenda Dean would like new negotiations — but News International is adamant that if the unions do not like how it is now, it is up to them to change it. "The ball's very much in their court," says Mr O'Neill. "They called the strike on—they can call it off again."

Philip Bassett and Helen Hague

LIFE BEHIND THE RAZOR WIRE

SWEATSHIRTS declaring the heady slogan: "There's No Stopping Wapping" are on sale to all employees in News International's single-status canteen.

Placards advertising cut-price holidays — through Convoys, a News International subsidiary — flank the walls, amid a sea of posters for vintage Twentieth Century Fox movies.

Rupert Murdoch likes to be reminded of his recent media acquisitions when eating alongside journalists and staff who make up Wapping's flexible production workforce.

The extent of this flexibility is neatly illustrated in a recent job switch. The former canteen manageress is now working on paste-up in the "composing area" which services Wapping's money spinning down market tabloids—the Sun and the News of the World.

The heritage of hot metal composition craft elitism holds no sway inside Wapping, which has no need for the process or the skill. No unions — and no demarcation lines—make such [illegible] hopping possible.

Apart from a smattering of NGA overseers—who chose loyalty to their employer above solidarity with sacked colleagues — the production workers have one thing in common: no experience of newspaper production prior to working at Wapping.

Former shopkeepers, sheet metal workers and contract electricians staff up the composing area. Like the 1,100 production workers in the plant they are rewarded by an "employment package" which includes Bupa coverage.

In the absence fo formal collective bargaining machinery, the views aspriations and grievances of the workforce are conveyed to company management through a [illegible] elected from production staff.

Bernie, a former serviceman with the Royal Navy—"I worked with weapons and radars so my computer skills came in handy"—has been working at the plant since August 1985.

He was a contract electrician after leaving the Navy, and was among a batch of workers recruited to Wapping through the electricians' union, EETPU, in the Southampton area.

He has no sympathy with the sacked strikers locked outside the gates, reckoning that they had it too good for too long. But he also has his doubts about the new management style.

"You know what Australians are like—they don't negotiate, they tell you what the score is. We were promised 20K when we went live. That still hasn't happened yet. You can push people so far, but they may start to kick back."

The Sun journalists are housed in an open plan office—which currently has its windows closed off because of building work in train. A poster distills the essence of the paper's editorial criteria: "Sun News is Anything That Makes a Reader Say Gee Whizz."

The Times and the Sunday Times decamped a year ago to the Old Rum Warehouse, built by prisoners in the Napoleonic Wars. The entrance to The Times — a narrow wooden door, hidden away in a corner — is in stark contrast to the polished portals of Grays Inn Road, its former home.

The company has attempted to minimise the potentially disruptive and nerve shredding consequences of working inside a fortified plant.

In the afternoon and evening, buses—branded "Scab wagons" by pickets—leave the plant at half hourly intervals, bound for main line railway stations.

A Midland Bank cash dispenser is on stream just inside the main building's entrance—it is not taat easy to slip out to the bank in work hours.

Those who have chosen to work at Wapping have made their own calculations. Journalists—initially faced with a go-or-be-sacked ultimatum—have since gained substantial pay improvements. They have had a 10 per cent rise on top of the £2,000 given at the time of the move. Pay packets are well above the Fleet Street average.

Production workers were vetted to see whether they were prepared to cross picket lines — and have learned new skills for a reasonable pay rate. A composing room charge hand is on £19,600 — a technician around £22,000.

Pickets camped outside the gates refuse to accept that "there's no stopping Wapping"—although behind the rally rhetoric many acknowledge that the odds are stacked against them.

As one 46-year-old ex-compositor remarked: "If he won't give us jobs and recognition, we'll stigmatise this place as a scab plant forever. It is the least we can do."

Helen Hague

Man in the News

Paul Channon

Guinnless but game for the gin war

By Malcolm Rutherford

THE POST of Secretary of State for Trade and Industry is one of the most sought after in the present Tory Government, despite the apparent casualty list. Several senior ministers at other departments would like to go there: Mr Norman Fowler, for instance. Others, temporarily out of office, would love to have it, like Mr Michael Heseltine.

Mr Leon Brittan, the previous incumbent, says that he never realised how fascinating it was until he arrived. Everyone wanted to see him: visiting ministers from abroad, industrialists, bankers — the lot. It is industrial and regional policy that Mr Brittan remains interested in on the back benches rather than his first subject: the law.

Mr Paul Channon, the present Secretary, says that he already knew what a good job it was at the start because he had served there as a junior minister, twice incidentally having been overlooked for the top post until Mr Brittan resigned over the Westland affair.

Mr Channon has had a busy week. Whether it was as bad a week for him as it sometimes looked will depend on his performance in the next two or three months. This week could have marked the beginning of his fall; it could also have been the low point before his recovery.

He is hamstrung by the Guinness affair because, as a member of the family, he is not allowed to speak about it, which is a fairly strong impediment for a Secretary of State for Trade and Industry. He did not go down well with sections of his own party when he refused to refer the BTR bid for Pilkington to the Monopolies and Mergers Commission, though he was saved by Sir Owen Green withdrawing his offer.

"Paul did the right thing," says a former holder of his office, "but he did not articulate it well. That's because he's not articulate." Mr Channon is very much a man who is damned by faint praise.

New tests begin next week. One of the less publicised is what to do about the current trade war between Europe and the US, sometimes known as "the gin war." The Trade Secretary reckons that the European Community could be obliged to take retaliatory action as early as Monday, if talks between US and European officials break down this weekend. He puts the chances of a breakdown at 50-50.

More prominently, he has to lead for the Government in the debate tabled by the official opposition on the state of the City in the House of Commons on Wednesday, and to do so under the constraint of not mentioning Guinness or anything directly to do with it. He will be given a very hard time by an opposition in need of drawing blood.

Some other major decisions are due from the Department before even an early general election. The privatisation of Rolls-Royce is promised for April-May, though no great obstacles are seen there. There is a particularly difficult decision about the funding of the next stage of the British participation in the European Airbus on which Mr Channon is concerned about the cost, though could be overruled by considerations of foreign policy.

Not least, there is the decision over the future of the Rover Group. The disposal of the various parts of what used to be British Leyland is going very well, he claims, at the periphery, but privatisation of the volume cars division is still a long way off. The first stage is to make it viable. It looks like a call for yet more public money.

That is unlike steel. Mr Channon says outright the British Steel Corporation can be privatised by the next Conservative Government.

He belongs to no particular wing of the Tory Party. Having described himself as a [illegible], he says he has been [illegible] drying out ever since, especially when dealing with [illegible] at the DTI."

[illegible]ce, the youngest Member of Parliament with an apparently glittering future ahead of him, he was not immediately favoured by Mrs Thatcher, who tried to send him off to lead the Conservative group in the European Parliament. Since she became Prime Minister he has advanced by small steps: first as Civil Service Minister, then as Minister for the Arts, then Trade Minister, before finally reaching the Cabinet after the succession of resignations just over a year ago.

He is now 51, "younger," he says very quickly, "than Kenneth Baker, the Education Secretary, and probably younger than the average age of the Cabinet as a whole."

"The most interesting job in the Government," he asserts is the Foreign Secretary's—apart, that, is from the Prime Minister's." Not that he has any aspiration to eihter of them, especially the latter.

He turns up his nose at the mention of the Home Office, as indeed did Mr Norman Tebbit, the Party Chairman, in another interview earlier this week. Evidently the Home Department has developed a rather sniffy reputation, an organisation that the Government will have to deal with some time, but not yet.

As for the Treasury, "It's all right if you have that kind of inclination." But Mr Channon does not seem to think that it is all that important. The Foreign Office is fascinating because it is involved in so many subjects in so many places. But so is the DTI.

Some of the paternalist Tory comes out in him when he talks about his spell as Arts Minister. "It would have been possible," he insists "for the Government to have spent more money on the arts and to have spent it well." As it was, he regrets that his main achievements were simply to keep things going and save the national theatre museum. He claims, perhaps because of his own shyness, that it was always very difficult to get publicity for the arts—something that he says is built into press coverage, which is interested only in cuts.

For someone who is said to be inarticulate, he has a remarkable habit of being able to speak backwards very fast—too fast indeed for any example to have been taken down in a notebook. He developed it at school at Eton and finds it very useful when speaking to his family in front of other people. It is probably true that he is more impressive before small groups.

After the election his main ambition is to remain exactly where he is at the DTI. Not everyone would bet on it, but a lot depends on his performance next Wednesday.

هكذا من الاهل

Raleigh's chance to move up a gear

By Geoffrey Owen

[TH]E Raleigh bicycle business, [wh]ich is to be sold by TI [(for]merly Tube Investments) [to a]n international group of [inv]estors, is a microcosm of [Brit]ish industry. Founded in [Nott]ingham in 1887, it became [the] world's largest producer [and] exporter of bicycles; it [was] bought by TI in 1960. [S]ize and volume of output [were] the determinants of [succ]ess, it should have been [ide]ally placed to take advant[age] of British membership of [the] European Community. [U]nlike two other Midlands [com]panies, Alfred Herbert in [mac]hine tools and BSA in [mot]or cycles, it was slow to [adap]t to changing markets. [Li]ke them, it has survived — but in a reduced and recently loss-making form.

At its peak the Nottingham factory employed more than 8,000 people and produced more than 2m bicycles a year. Now the output is less than 1m, with a workforce of about 1,200. How did it happen?

Raleigh was to some extent a victim of old age and too much comfortable living. The main factory grew in an unplanned way until it had more than 60 acres of covered space. In the 1960s and 1970s there was never an opportunity to replan the production process from scratch, because Raleigh was at full stretch trying to satisfy demand. Developing countries, notably Nigeria and Iran, were paying good prices for simple, old-fashioned machines; on top of that came a short-lived boom in the US — until the jogging fashion took over.

There was little pressure on management to take a vigorous look at manufacturing costs or product design. With hindsight, the company should have diversified its markets.

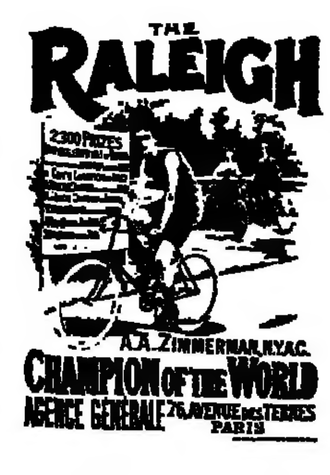
Like many other UK companies at the time, TI bought a bridgehead on the continent in the form of a Dutch bicycle maker. But although the Dutch company was and remains successful, it never became part of an integrated attack on the European market. This was partly because the market itself was not integrated — each of the main countries needed different specifications — but also because Raleigh was too busy supplying other customers.

Yet Raleigh's problems were not unique to the UK. All European bicycle makers have had a difficult time in the past few years. Several German companies have gone bankrupt. One of the largest, Kalkhoff, under new ownership for the past year, has undergone much the same retrenchment and cost-cutting as Raleigh. It is now producing ½m bikes a year (down from 1m at the peak) and selling almost entirely within Europe.

The collapse of Raleigh's main overseas markets in the late 1970s, followed by the overvaluation of sterling in 1980-81 and the consequent rise in imports, brought the company's weaknesses into the open.

It has been a painful five years for TI, which is sometimes criticised for not acting more quickly and more ruthlessly. But the business is now in a state which gives the new owners a chance to rebuild. The European market absorbs about 10m-12m bikes a year; most observers do not expect Far Eastern suppliers to take more than a small share at the low-priced end.

Raleigh, for all its travails, remains the largest bikemakers in Europe. It ought to be a base from which the business can be revived.



A salutary kick for Lloyd's


Peter Miller: Neill Report is another step in the evolution of Lloyd's.

By Nick Bunker

SIXTY YEARS ago, there was a man at Lloyd's of London called Arthur Sturge. He was the insurance market's chairman when a weak-willed rogue named Harrison left some underwriting members liable for huge losses.

Mr Sturge moved fast. At a general meeting of the market he persuaded his fellow Lloyd's men to bail out the individuals who faced financial ruin. It meant flouting the market's basic rule that each member must bear his own losses even if it would leave him bankrupt.

But, said Mr Sturge, if the market ducked the issue "the name of Lloyd's will be seriously injured and will never recover in our lifetime."

His rhetoric is too dramatic to apply to Lloyd's of London's plight following Thursday's publication of the Neill Report on its regulatory arrangements. Lloyd's reputation is not in such danger—yet.

However, the underlying message still applies: Lloyd's will have to act thoroughly, and quickly, to safeguard its right to run its own affairs.

Sir Patrick Neill, chairman *of the inquiry team,* pays tribute in the report to the far-reaching regulatory reforms Lloyd's has already carried out, since a wave of multi-million pound scandals burst upon it in late 1982. Some leading figures at Lloyd's have applauded his recommendations as providing a logical extension of steps already taken.

"The tone is right," says Mr Peter Rawlins, managing director of R. W. Sturge (Arthur Sturge's family firm, now the biggest of the market's 240 underwriting agencies). "It's supportive of what Lloyd's has done, but points out more things it should do."

In spite of the "supportive" tone, however, the report leaves little doubt about the challenge the market is facing—no less real for having been partly determined by a political climate over which Lloyd's has no control.

In the words of Mr Peter *Miller, chairman of Lloyd's,* it is "unfortunate" that the Neill report has focused attention on the market at a time when the Guinness affair has pushed alleged City wrong-doing into the limelight. "The City is not an homogeneous whole," he argues.

On Thursday, however, the market's 28-strong ruling Council reacted to the report with a graceful alacrity that Mr Sturge would doubtless have appreciated. It agreed to implement the core constitutional recommendation — a shake-up in its own membership to place market profesionals in a minority of 12.

The importance of that change can be overestimated (Mr Miller called it "an organic development"). Its most important consequence will be the extension of the power of the Council's nominated members: outsiders appointed with the Bank of England's approval, their number will be doubled to eight.

They will provide the chairmen of four of Lloyd's most powerful committees: the Rules Committee, which will have to draft the by-laws implementing Neill's reforms; the Investigations Committee, which decides whether to take disciplinary action against market wrong-doers; the Disciplinary Committee; and a new Names (Lloyd's members) Interests Committee, to be created to protect the interests of underwriting members of the market.

This is one of Neill's strongest points, according to Mr Jeremy Hardie, chairman of National Provident Institution, the life assurance company.

The former chairman of Alexander Syndicate Management which had the job of clearing up some of the mess left by the 1982 Howden scandal at Lloyd's, he says. "A nominated member of the Council with Neill's recommendations behind him will be in a very strong position indeed."

Such constitutional changes are relatively easy to put in practice, given the wide self-regulatory powers which Lloyd's has under its 1982 act of parliament.

However, Neill has also delved well beneath the constitutional surface. The examination of the market's working has yielded, for example, a recommendation that Lloyd's syndicates' active underwriters sit compulsory professional examinations.

According to one senior figure at the Association of Lloyd's Names, which represented in 1986 a seventh of the market's 29,000 underwriting members, his report amounts to "a blueprint for investor protection of Lloyd's. "Mr Ian Hay Davison, the former chief executive of Lloyd's, broke a self-imposed silence to say the same thing.

The report reflects the fact that Sir Patrick took his brief very literally. His job was to tell parliament whether or not Lloyd's provided investor protection comparable to that laid down under the Financial Services Act.

He made it plain on Thursday that one reason for the 12-month delay in the report's appearance lay in the repeated changes made to the act during its passage through parliament.

"The goal-posts kept shifting," he said — suggesting that he was eager to make his recommendations approximate as closely as possible to the final shape of the system now being created by the Securities and Investments Board, the City's new central watchdog body.

Sir Patrick has studied Lloyd's in the light of the provisions of two key sections of the act. The two sections — Schedule Two and Schedule Eight — set the ground rules for the self-regulatory organisations (SROs) that are to conduct routine policing of London's financial community.

The results are far-reaching. For instance, the act says SROs must have effective means for investigating complaints against themselves or their members. So, Neill concludes, there must be a Lloyd's Ombudsman to adjudicate between Names and the Corporation, and a new binding arbitration process to sort out disputes between Names and their underwriting agents.

Running through the report as a second leitmotif is the argument that the Lloyd's scandals came about largely because its practitioners failed to understand that they were bound by the law of agency — which requires underwriting agents to act at all times in the best interests of the Names they represent—or just ignored it altogether.

That applied, for instance, to the PCW affair, which came to light four years ago. It involved the systematic plunder of syndicate funds by well-known professionals in the market.

The Neill report quotes from the investigation into PCW, which found that members of the Lloyd's community in senior positions "were not even vaguely aware" of their legal obligations under the law of agency.

The view found some backing yesterday from Mr David Coleridge, chairman of Sturge. "I don't think underwriters ever understood the law of agency. Not because they were stupid, but because it never came across their desks," he said.

It is hardly surprising that Neill has seized so rapidly on points such as these — or that previous inquiries into Lloyd's failed to take the point so clearly.

There have been two such reports since the 1960s — the Cromer Report of 1969, and the Fisher Report of 1980. Both inquiry teams were chaired by outsiders — Lord Cromer was a former Governor of the Bank of England, Sir Henry Fisher was a High Court judge. But the working parties were dominated by Lloyd's market practitioners.

Now, however, the difficulty is to translate Neill's conceptual clarity into the detailed formulation of workable rules.

That has already proved a tough assignment for the SIB in regulating fields such as the marketing of life assurance. Can *Lloyd's do any better—and can* it do so as quickly as Neill wants. (Mr Paul Channon, the Trade and Industry Secretary, has set what amounts to a 12-month deadline for implementing the bulk of Neill's 70 recommendations)?

The signs are that problems will arise in at least two main areas. Neill wants Lloyd's to prohibit so-called "parallel syndicates"—except where they have the Council's specific consent. Second, he wants a new Standard Underwriting Agency Agreement to define the terms on which Lloyd's Names put their affairs in the hands of underwriting agents.

Parallel syndicates occur when a professional underwriter working in the Lime Street underwriting room takes business for two or more syndicates doing the same kind of business. In 1986 there were 111 syndicates — about 30 per cent of the Lloyd's market — working like that.

Neill says this opens up the danger of abuse, because the underwriter can channel the best business to a syndicate to which his friends belong.

Mr Miller's response on Thursday contained the seeds of conflict. "There may be good commercial reasons for parallel syndicates to exist," he said. One problem is that abolishing them would simply mean that Lloyd's underwriting agencies would have to hire scores of new underwriters. That would draw protests from practitioners, but their concern is hardly likely to cut much ice with Mr Channon or Sir Patrick.

Drawing up a new Standard Underwriting Agency Agreement, could also involve fraught negotiations, because it will mean a redefinition of Names' rights. "It's not the sort of thing you can do in no time," said Mr Rawlins.

Both are technical points, but *they typify the practical difficul*ties of regulating a complex market. "It's not going to be easy for a lot of people in the market to accept all the changes Neill wants," said Mr Ken Randall, managing director of the Merrett Underwriting Agency, the second biggest after Sturge.

The fact remains, however, that Lloyd's may have no choice. The key question is whether the market has the moral will to meet the challenge.

"Lloyd's didn't need another big upheaval," said Mr Hardie. "But it needed a jolly good kick. That is what Neill has given."

Letters to the Editor

Hot air about mergers

[F]rom Mr A. Lucking

Sir, — A point that you do [n]ot explore in your leader [(]January 20) is the increasing [e]xtent to which takeovers are [m]otivated by the predators' [n]eed to carry out ever-larger [fi]nancial conjuring tricks. Out[si]ders can only guess at the [pr]ofit puffing achieved by [t]aking excessive provisions for [c]losing uneconomic plants," [r]edundancies," down valuing [th]e stock and so on, the ensuing [wi]ndfalls subsequently mas[qu]erading as "profits."

No company that merely [m]akes things can compete with [th]ese methods of "making [mo]ney." Does the public [in]terest now demand that [p]rofits" arising from such [fi]nancial conjuring are detailed [in] published accounts, clearly [dis]tinguished both from the [con]tributions of the pre[acq]uisition companies and the [act]ual trading of those newly [acq]uired?

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[P]unjab accord [i]n action

[Fr]om the First Secretary [(P]ress and Information), [Hi]gh Commission of India

Sir, — Your correspondent in [In]dia, K. K. Sharma, in his [re]port "Sikh shrine taken over [b]y radicals" (December 29) [sai]d that none of the clauses [of] the Punjab Accord had been [im]plemented.

Clauses 1 and 2 of the accord [rel]ating to compensation for [tho]se killed and recruitment [in]to the Indian Army have been [im]plemented. Under clause 8, [a] Commission of Inquiry has [co]mpleted its work and sub[mi]tted a report to the Govern[me]nt of India. On the question [of] rehabilitation — clause 4 — [t]he process has been imple[me]nted. The All-India Gurud[wa]ra Act (clause 5) is being [dr]afted. The Government of [In]dia has rescinded the Armed [Fo]rces Special Powers Act [19]83 and amended the Ter[ror]ist Affected Areas (Special [Co]urts) Act, 1984. All cases [ex]cept those relating to (a) [wa]ging war and (b) hijacking [ha]ve been transferred to ordi[na]ry courts.

The other clauses of the [ac]cord have either been imple[me]nted or are under im[ple]mentation. Thus, the [Sa]rkaria Commission, which is [re]viewing the whole gamut of [ce]ntre-state relations, has con[si]dered the Anandpur Sahib [R]esolution. The Government has so far spent Rs 1.25bn on the Sutlej-Yamuna Canal in implementing clause 9 relating to the sharing of river waters.

To say that none of the clauses has been implemented is quite misleading. The Government is firmly committed to the implementation of the accord in co-operation with the state governments of Punjab and Haryana.

Pinak Chakravarty.
India House,
Aldwych, WC2.

Membership of Lloyd's

From Mr R. Hiscox

Sir,—Mr Gurney's letter (January 17) on the differences between buying shares and becoming a Member of Lloyd's is so full of inaccuracies that I cannot let it pass. He describes *the regulatory procedures set* up in Lloyd's since 1982 as archaic which my dictionary defines as "marked by the characteristics of an earlier period." They are, on the contrary, brand new, uniquely framed for Lloyd's today, and working well. I cannot understand why Mr Gurney feels that these regulatory procedures stop him from asking questions, making a choice or receiving intelligible information. On the contrary, they make a great amount of information mandatory. The fact that Mr Gurney feels he cannot ask questions, make a choice (out of 240 agents?) or understand what he is told are his problems not those of Lloyd's.

He is wrong again about the competition between members agents. It is very simple to switch agents—it takes one signature and is a much simpler process for the new agent than processing a new member. Also there is no "cartel" operating on fees which do differ between syndicates.

I would love to hear his logic in wishing to separate members agents from managing agents. Would he also ban stockbrokers from managing funds for their clients, merchant banks similarly or unit trust groups from selling direct to the public (since he likes to compare Lloyd's with buying shares). There can be no logic in the theory of a market allowing equal access for all names to all syndicates unless or until the Soviet Government runs the City or unless you wish membership of syndicates to be allotted by ballot.

If Mr Gurney wishes to compare membership of Lloyd's with buying shares quoted on the Stock Exchange he will remain frustrated as they are not comparable. To become a member of Lloyd's you first have to choose so to do, then you have to choose an agent who suits your particular requirements and then, satisfied that you have chosen the right agent, you have to go through an election process of not less than six months duration during which time you can withdraw at any time. Once a member you can thereafter resign your membership annually if you are not satisfied. Slightly different from buying shares, but then membership of Lloyd's is totally different in every aspect.

R. R. S. Hiscox.
Roberts & Hiscox,
130, Fenchurch St, EC3.

Fixed term Parliament

From Mr H. Cole

Sir,—May I offer one simple, and possible, answer to the dilemma posed by elections at fixed intervals on the one hand and allowing the Prime Minister of the day virtually unfettered discretion on the other? (Malcolm Rutherford's article January 16).

Let MPs serve a fixed term of six years, but arrange, as with the United States Senate, for one-third of them to come up for election each two years, on a predetermined date.

This would tend to prevent landslide majorities emerging, and, if they did, the normal swing of the pendulum would ensure that they did not persist.

Harvey R. Cole,
9, Clifton Road,
Winchester, Hants.

Hardly Soviet inspired

From Mr A. Harris

Sir,—Anthony Curtis's review of the Gollancz biography (January 17) is marred by one mis-statement. He described the Left Book Club as a medium for "distributing Soviet-inspired books."

Some indeed were. But not all. For example "The Road to Wigan Pier," was published first by the club in 1937. Many readers may recall the closing paragraphs. In them Orwell called for "less about class consciousness, expropriation of the expropriators, bourgeois ideology and proletarian solidarity, not to mention the sacred sisters, thesis, antithesis and synthesis; more about justice, liberty and the plight of the unemployed." Hardly Soviet inspired sentiments. And I could list other titles.

The Left Book Club contributed to the change in the climate that resulted in the election, in this country, of the first government dedicated to democratic socialism and the welfare state. These goals likewise hardly bear a Moscow-inspired imprint.

Ansel Harris.
23, Ferncroft Avenue, NW3.

Unfair to anglers

From Mr D. Bird and Mr B. Richards

Sir,—While we support the general tenor of Peter Gillman's lead shot feature (Jan 3) there are minor errors of fact in it, and some matters that need comment. And we decry the subheading which refers to "conservationists and anglers." Anglers are conservationists — they are probably the greatest conservationists of all. Through their direct combating of pollution over the last 100 years they have saved millions upon millions of creatures and plants. Only very recently have some of the newer conservation groups given a hand, and even then they are not directly in the pollution firing line as we are.

While the National Anglers Council may be satisfied with legislation, anglers in general are not. In the effort to make sure that there were no loopholes it created a situation where the angler can purchase a swimfeeder with a lead weight attached but cannot purchase the special lead weights designed only to fit the swimfeeder. The same lack of logic applies to weighted floats and leaded flies.

There was no need to ban splitshot down to a No 8 (0.06 gms). Research by the British Swan Trust shows that banning down to a No 6 shot would remove almost 99 per cent of the problem. Someone is being unreasonable. It is interesting that Mr Gillman raises the disappearance of swans from the Thames and Avon. If he were to investigate further he would find that these rivers have one thing in common: ever increasing boat traffic. In many cases the swans have not died but simply moved to a quieter habitat. It is important not to confuse disappearence with death.

The report entitled "The Warwickshire Avon: the case for conservation" Smith (1982) proves the point. Further research by the BST shows that lead-poisoned swans from the Thames have decreased from 67 per cent in 1981 to 22 per cent in 1986. How can the estimated deaths of 3,000-4,000 put forward in 1981 still apply?

When Mr Gillman states that substitutes were available in 1985 he did not say whether they were any good! Our testing of the substitutes over the past two years shows that only one good one emerged in September of that year, and it was only available in the larger split-shot sizes. In 1986 we saw the introduction of a whole range of lead weight replacements, of variable value, not as good as lead but being used by anglers anyway. In fact while the development of lead shot substitutes may have dented the lead industry a little, it has certainly given rise to innovative work in a variety of other trades and industries. Lead shot is not being sold in the tackle shops and was already heavily in decline throughout 1986.

The angling body referred to on several occasions is the National Federation of Anglers, NFA not NAF. Was this a joke or just another error?

The reason why some people think anglers' actions "less than meritorious" is because the anglers consider the Nature Conservancy Council's claims of swan deaths to be grossly exaggerated. In one region where swans were supposed to be dying at the rate of six each week one of us asked for evidence: it took the local swan rescue centre three months to find one supposed case of poisoning.

Anglers are opposed to bad science and thoroughly unconvincing claims by people who more often sit at desks than spend time in the field as biologists. It is a pity that Mr Gillman refers to anglers' hi-tech equipment which includes "*razor sharp 'barbless' hooks* that pierce a bird's skin on touch and nylon line monofilament lines that are virtually indestructable so that once entangled a bird cannot break free." The land would be littered with dead bodies. We do not say that it cannot occur, but that as a danger to birds it has already been exaggerated beyond reason.

We are heartened that the Royal Society for the Protection of Birds wants to link with anglers to fight pollution. The future for all of us can only be secured if we join together to fight the degradation of our water and our waterways.

D. Bird (Press Officer, London and S.E. Region, National Federation of Anglers),
B. Rickards (Member, National Anglers' Council).
95 Brunswick Road, W5

UK COMPANY NEWS

AGB rises to £4.4m after restructuring

FIRST HALF figures at AGB Research reflected the initial progress made in re-structuring the group's operations which, together with cost-reduction and efficiency measures already taken, were expected to lead to a steadily improving trend in results.

Pre-tax profits increased from £4.01m to £4.41m in the six months to October 31 1986, from turnover up from £54.15m to £59.1m. The interim dividend is unchanged at 2.75p, and stated earnings per 10p share improved from 4.95p to 5.23p.

The directors said the company's trading performance was sensitive to economic conditions and currency factors in the major world markets in which it operated.

The performance of UK-based operations had been satisfactory, with good progress in all divisions. Results for Europe included an especially strong performance in Italy where the new TV audience measurement contract was now operating.

In Australia, there was satisfactory progress in the planned recovery from its poor performance in the second half of last year.

AGB completed, at the end of 1986, the disposal of its 50 per cent interest in Hanger Lane Holdings on satisfactory terms. This will result in a reduction in borrowings at the year-end.

● **comment**

CBS has signed up to use AGB's new television ratings system via a $15m contract; ABC has killed its contract with Nielsen. The omens look good at the moment for AGB's "people meter," which is designed to replace Nielsen's old-fashioned diary system. But Nielsen is unlikely to give up easily and is developing its own meter system. Otherwise, the US is not fertile ground for AGB at the moment. Sluggish economic growth is causing companies to cut back on ad-hoc research projects. The improvement in profits this half was largely due to the strong UK market, but the problems in Australia which caused the dip in last year's profits seem to be waning. Full year pre-tax profits are likely to top £10m, which puts the shares at 192p on a prospective p/e of 17. On that rating, the high gearing might dissuade investors from taking a punt on the people meter prospects.

British Airways offer set to be priced at upper end of range

BY RICHARD TOMKINS

THE STRENGTH of the London stock market has heightened expectations that British Airways' shares will be priced towards the upper end of the range of forecasts when its offer for sale is launched next week.

The prospectus for the offer of 720.2m shares is to be published on Friday, but the price will be announced three days earlier, on Tuesday. Most forecasts have been in the range of 120p to 135p.

In the two weeks since the pathfinder prospectus was published, the UK stock market has proved exceptionally strong. Yesterday, the FT Ordinary Index put on another 21.8 points to close at 1,425.9, nearly 7 per cent above its level of 1,334.3 on the morning the pathfinder was published.

The City was this week narrowing its range of forecasts to 125p-130p, and yesterday's rise in the market will have encouraged the advisers to the issue to plumb for the higher figure when they meet to fix the price on Sunday afternoon.

That would produce a prospective price/earnings ratio of 6.5, a notional gross yield of 6.5 per cent, and a market capitalisation for the company of £936.3m.

Private investor interest in the issue has so far proved to be relatively restrained. Some 50,000 people have asked for information packs on the floation, compared with 7m for British Gas, reflecting the different marketing approach.

However, institutional investors appear to have been persuaded during a series of 34 roadshows over the past two weeks that the shares are a buy, if the price is right.

Overseas interest is thought to be particularly strong: the Zurich presentation drew a higher attendance than British Gas's, and US investors are also said to be enthusiastic.

The shares will be payable in two instalments, the second of which is due in August, so enhancing the effective yield and the attractions of any premium.

Stockbroker Hoare Govett yesterday forecast that the fully-paid shares would go to 150p-160p in the short-term. If the first instalment were 70p, that would produce a premium of around 30-40 per cent.

ISC chief raises £24m by selling 5% stake

MR JAMES GUERIN, chairman of International Signal and Control Group, has raised £24m by selling more than 5 per cent of the company's shares.

The defence electronics group was originally a private US company, but sought a UK listing in 1982 partly because it believed UK markets better respected the need for confidentiality in defence electronics.

Shares worth £24.3m at the 263p placing price have been sold to international investors. They comprise 8.2m being sold by Mr Guerin and 1.07m by his sister, Ms Esther Guerin, whose shareholding is recorded for statutory purposes within Mr Guerin's as a non-beneficial interest.

The sale reduces Mr Guerin's holding in the company from 15.96 per cent to 10.53 per cent.

Mr Guerin plans to use the proceeds to cut his personal debt, incurred when he bought out the non-defence interests of the group at the time of the listing and when he took up shares in a rights issue last year.

Mr Guerin has undertaken not to sell any further shares before March 31, 1988 unless there are exceptional circumstances or consent is given by Merrill Lynch Capital Markets.

Merrill Lynch Capital Markets said it had bought the 9.27m shares on Thursday evening and placed them by early yesterday morning. The co-managers of the placing were Deutsche Bank Capital Markets, EBC, Amro Bank and the small UK stockbroking firm of Jacobson Townsley, which has close links to the company.

The shares were placed at 263p, a 2.5 per cent discount to the market bid price of 270p at the time of Merrill's purchase. Yesterday, the share price closed at 268p, down 6p.

Powerline moves to lift returns for shareholders

By Philip Coggan

Powerline, the USM-quoted group which has interests in electronic equipment, advertising and public relations, yesterday announced that it had appointed Prudential Bache Capital Funding "to explore various financial alternatives including an outright sale of the company."

Prudential Bache said that it was seeking ways to increase the return to shareholders following the disappointing share price performance since flotation in March 1984, when the offer for sale was 72 times oversubscribed at the issue price of 160p. The price fell to a low of 75p in November 1986 but has since bounced up to close last night at 140p.

A spokesman for the company was keen to stress that the company was not involved in bid talks at the moment, nor was the announcement connected to any trading difficulties.

Powerline's interim pre-tax profits for the six months to June 30 1986 were down 24 per cent at £649,000. At the time those results were announced, the directors expected the second half to show higher turnover and profits.

The announcement carries echoes of the statement by Oceonics, in April 1985, that it was putting itself up for public auction. The share price fell sharply and parts of the group were sold off but the disposals failed to stem pre-tax losses.

Hogg Robinson makes £4.7m US purchase

By Nick Bunker

Hogg Robinson, the insurance broking and financial services group, is to pay about $7m (£4.7m) to buy Globe Agency, a Michigan-based insurance broker.

The acquisition has been made via Republic Hogg Robinson (RHR), the group's US subsidiary. RHR, which has been 100 per cent owned by Hogg since 1985, is one of the group's most successful ventures and showed a big increase in earnings in the six months to September 30.

Globe will further extend RHR's existing network of 31 offices into an area expected to show continued growth, Hogg said.

Its unaudited earnings were $1.1m (£752,000) in the year ending June 30 1986. It has net tangible assets of $173,358 (£115,090).

Hogg said it had paid $3.85m (£2.6m) of the consideration in cash. This is the minimum price for the agency's renewals plus its net tangible assets. The total consideration is expected to be about $7m, but the exact figure will depend on the results of business from 1987 to 1990.

Cookson makes £5m acquisition

Cookson Group, the expanding metals and industrial chemicals company, yesterday agreed to buy Industrial Precision Castings for about £5m.

Holders of 51 per cent of Industrial Precision's equity have already accepted the offer of 117p in cash and the directors are recommending other shareholders to follow suit.

The IPC management will continue to run the day to day business of the company and Cookson has assured that the 200 staff will retain their terms and conditions of employment.

IPC is Cookson's second acquisition in a week. On Monday it announced the purchase of Titanium International.

Yesterday its shares rose 6p to 536p.

Christopher Parkes looks at Mr James Gulliver's latest purchase

Argyll's safe way to go upmarket

THESE ARE happy times for shopfitters. Just as they are approaching the end of contracts to transform the Argyll Group's mish-mash of about 800 Templeton, Hintons and Liptons supermarkets to the Presto and Lo-Cost styles, up pops a fresh order to rip down 160 Presto fascias and replace them with the Safeway name.

However, the gains to the sign and shelf makers are nothing when compared with the strategic, merchandising and profit advantages offered to Argyll by the £681m purchase of the UK arm of the world's biggest supermarket chain.

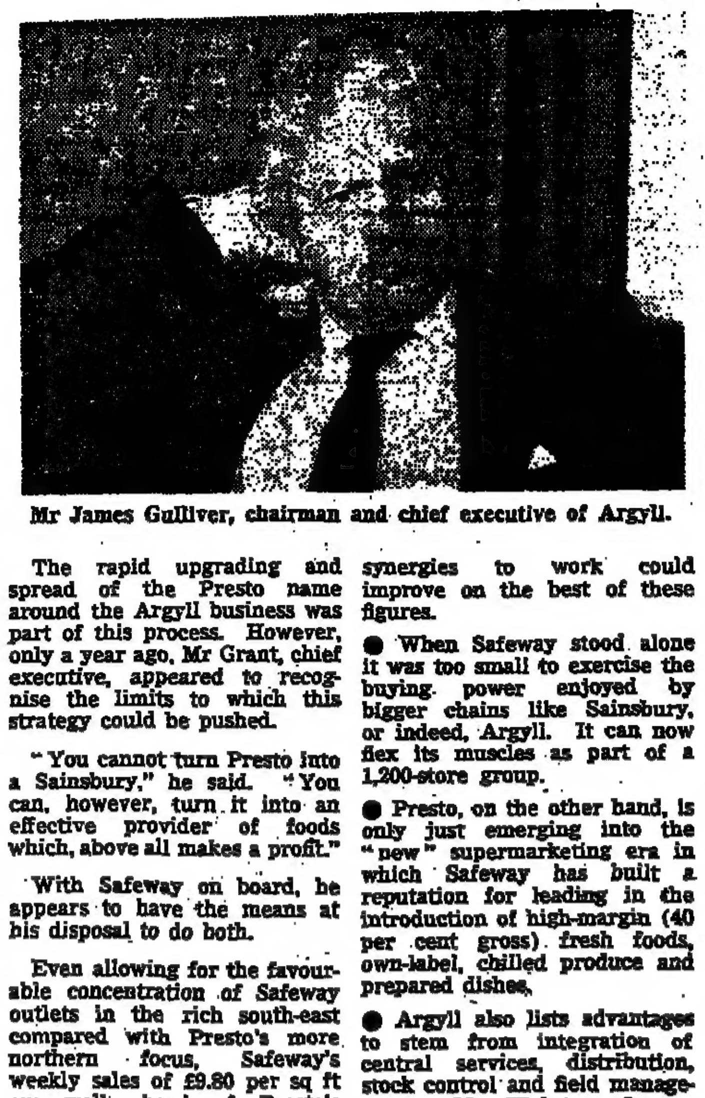
Mr James Gulliver, Argyll's chairman, has compressed at least 10 years' retailing development into one deal, one prominent banker said yesterday.

"At a stroke he has upgraded both his average store size and the customers' perception of his business."

Grafting on the 132 Safeway outlets to Argyll's existing empire of 972 food stores will increase the group's selling space by 40 per cent from 5m to 7m sq ft.

Transferring Safeway's upmarket, innovative style may be tricky, but there is nothing in the record of Mr Gulliver or his cohorts, Mr Alistair Grant and Mr David Webster, to suggest that it will not succeed.

Profits at Presto, the tired, downmarket chain which came to Argyll in 1982 with the purchase of Allied Suppliers from Sir James Goldsmith, rose from £4.5m at the time of purchase to £20m three years later. The triumvirate installed strict financial controls, slashed overheads, used its buying muscle to improve margins and all the while strove to strengthen its consumer franchise.



Mr James Gulliver, chairman and chief executive of Argyll.

The rapid upgrading and spread of the Presto name around the Argyll business was part of this process. However, only a year ago, Mr Grant, chief executive, appeared to recognise the limits to which this strategy could be pushed.

"You cannot turn Presto into a Sainsbury," he said. "You can, however, turn it into an effective provider of foods which, above all makes a profit."

With Safeway on board, he appears to have the means at his disposal to do both.

Even allowing for the favourable concentration of Safeway outlets in the rich south-east compared with Presto's more northern focus, Safeway's weekly sales of £9.80 per sq ft are well ahead of Presto's £6.50. The acquisition's net margins are 4.2 per cent compared with 3.75 per cent at Presto.

Putting all the apparent synergies to work could improve on the best of these figures.

● When Safeway stood alone it was too small to exercise the buying power enjoyed by bigger chains like Sainsbury, or indeed, Argyll. It can now flex its muscles as part of a 1,200-store group.

● Presto, on the other hand, is only just emerging into the "new" supermarketing era in which Safeway has built a reputation for leading in the introduction of high-margin (40 per cent gross) fresh foods, own-label, chilled produce and prepared dishes.

● Argyll also lists advantages to stem from integration of central services, distribution, stock control and field management. Mr Webster, finance director, said yesterday that the synergies might have the group up to £25m a year.

With Safeway's in-house expertise and its solid reputation, Presto could make rapid advances in merchandising own-label goods, for example. Latest figures show that in 1985 only 30 per cent of Argyll Group's packaged grocery sales were of the group's in-house brand names, compared with 57 per cent at Sainsbury.

For the group as a whole the deal provides a balanced and a clear focus Mr Gulliver has been seeking since it started taking its present shape in the late 1970s with the merger of Louis C. Edwards, a Lancashire company perhaps better known for its involvement with Manchester United Football Club than its meat wholesaling business.

An engineer by training, Mr Gulliver has spent many years in a range of jobs which includes management consultancy and construction. Six of things to come emerged when he turned round and expanded Fine Fare, the Associated British Foods supermarket business which was sold for £86m last June to Dee Corporation.

Leaving Fine Fare in 1972, he developed something of a reputation as a wheeler-dealer, jockeying and lobbying in a position and credibility until he found a firm foothold through the purchase of Allied Suppliers for £104m.

But he had greater ambitions, evidenced by his ill-fated bid for Distillers in December 1985. However, with the future of Argyll's fragment of a drinks business under "careful review," the signs now suggest that he had decided a place in the top oft he tree in British food retailing offers challenge enough to keep him happy—for the moment at least.

Border TV shows profit up by 10%

Border Television, the independent television contractor for Cumbria and the Border counties, reported a 10.5 per cent rise in pre-tax profit for the six months ended October 31 1986.

On turnover which moved ahead to £5.1m from £4.4m, Border, which came to the USM in December last year, saw profit increase to £252,000 (£228,000). Border is the smallest of the mainland TV contractors.

However, the Earl of Lonsdale, Border's chairman, warned that immediate advertising prospects indicated that the second half of the year would be less buoyant.

He said that the company had achieved a wider audience through increased programme sales to the ITV network and Channel 4, in addition to receiving a small contribution from overseas sales.

He expected that the main thrust of its new development policy in technical areas would provide opportunities for an expansion of programme production and consequent sales. A small but significant investment had been in the Superchannel porject transmitting to Europe via a low-powered satellite.

After tax charges virtually unchanged at £97,000, earnings per 10p ordinary share worked through at 3.1p. The directors declared an interim dividend of 0.6p.

D J Security Alarms shares suspended

DJ Security Alarms said yesterday that the recording and designation of bargains was temporarily suspended from 8 am yesterday at the company's request, pending an announcement.

In its last set of figures—six months to April 30 1986, the company increased its pre-tax profits from £85,000 to £105,000 on turnover up from £519,000 to £740,000.

In October, DJ acquired W. R. Loftus for an aggregate consideration of approximately £278,000.

Premier deal ends merger hope

BY LUCY KELLAWAY

Premier Consolidated Oilfields has disposed of its 11 per cent stake in Goal Petroleum, a fellow independent oil company, putting firmly to an end earlier hopes that the two companies might merge.

The shares have been bought by Kleinwort Grieveson for an undisclosed sum, leaving Goal more anxious to discover who the stake would ultimately be sold to.

However, the company denied that the sale by Premier would make Goal an obvious takeover candidate. "We have a very strong shareholding base, and just because 10 per cent of the shares have changed hands, that does not imply that the company is about to be bought up at a cheap price," Mr David Boyd, managing director of Goal, said yesterday.

When Premier bought the shares last January at about 41p, it requested a seat on the board, but was turned away. Since then, it has watched the shares sink to a low of 2? before recovering to yesterday's price of 41½p.

GILTRAP HOLDINGS extended its offer for Frank G. Gates until January 30 after receiving acceptances representing 6? per cent of the motor dealer's shares. The New Zealand-linked bidder now controls 56.4 per cent of Gates.

Petranol rights to raise £1m

BY LUCY KELLAWAY

Petranol, the UK oil group with a production base in the US, yesterday asked its shareholders for £1m, thereby breathing life into the new issue market of the oil sector, which has been inactive since the market collapsed last year.

The company is raising £930,000 through a one-for-nine issue at 38p. One third of the proceeds will be used to cover the costs of recent corporate deals that have not come off: the abortive bid for Petranol by Inoco, a fellow US oil independent, and the attempt last autumn to raise money to acquire a private US oil group, subsequently blocked by Inoco.

A further £200,000 will be used to fund Petranol's share of work on its UK onshore licences, and the remainder will increase the group's working capital, which has been depleted as a result of development of its US acreage.

The company said yesterday that the performance of its assets was "in line with expectations." It said that it had considerably reduced its overheads, by cutting the number of its employees, closing its UK head office, and slimming down the board so that the only remaining full-time executive director is Mr Terence Heneaghan, managing director.

The rights issue comes at a time when Petranol is engaged in bid talks — the company said yesterday that propals were "at an advanced ste," but no decision had yet been made.

Simon resumes attack on Valuedale

BY CLAY HARRIS

Simon Engineering last night repeated its attack on the Valuedale management buy-in proposal as "an attempt to hi-jack" the engineering and process-plant contractor. Valuedale's revised offer had only tinkered with the original package, Simon said.

In a letter to shareholders, Mr Harry Harrison, Simon's chairman, expressed doubt that the "theoretical values attributed to both the Valuedale ordinary and preference shares would survive the market place."

Under the buy-in structure, Valuedale's backers would get a 15 per cent stake in Simon only if the new company's shares rose to 200p from the 125p value put on them by stockbrokers Hoare Govett.

"Valuedale would still effectively be a puppet of its banker," Simon said, despite a change in loan conditions and the replacement of Citibank with Morgan Guaranty.

Schroders, acting for Valuedale, last night said that the document failed to address Simon's own future. It also denied that Simon's claims about the terms of and prospects for repayment of its loans, the outlook for bonding the company's overseas projects, and the valuation of its shares.

Turnbull Scott disappoints

Turnbull Scott Holdings, a ship-owning and engineering group, reversed a £27,000 pre-tax profit into a £79,000 loss in the six months to September 30 1986 on turnover which moved ahead from £7.6m to £8.5m.

Tax charges amounted to £12,000 (£13,000 credit) and a deferred tax charge of £225,000 saw losses attributable to members total £316,000 (£40,000 profit). After payment of an unchanged 3p dividend this rose to £367,000.

The directors conceded that the company had had a disappointing first half year but said that reductions in loss-making activities and overheads continued.

They said that trading estimates for the full year indicated an improvement over the first six months in all activities but that results for the year would still not be satisfactory.

Losses per share emerged at 33p—last time earnings amounted to 4p.

Bryant Holdings' last minute plea

BY CLAY HARRIS

Bryant Holdings yesterday made a last-minute plea to shareholders neither to sell their shares nor to accept English China Clays' £187m takeover offer which closes next week.

Mr Chris Bryant, chairman of the housebuilder, said: "We will win the day because we're a more successful company than ECC and offer greater long-term benefits to our shareholders.

"Public opinion is no longer prepared to tolerate successful independent companies being swallowed up by hostile predators with nothing to offer."

In his letter to shareholders, Mr Bryant noted that his company's share price had performed considerably better than ECC's over the past 10 years.

Birmingham's six Labour MPs, led by Mr Denis Howell, tabled a motion in the House of Commons attacking the bid for Bryant and criticising what they said was ECC's failure to give guarantees about the future security of Bryant's employees.

Courtaulds' bid given go ahead

BY NIKKI TAIT

Courtaulds' £28m cash bid for Fothergill & Harvey—which the Lancashire-based advanced materials manufacturer is contesting—has finally been given the green light by the Monopolies Commission.

Fothergill admits it was not principally arguing its case on competition grounds, but did maintain that the possible loss of its US joint venture company, Cyanamid Fothergill, was against the national interest.

Day 39 of the bid will now be Monday January 26 when Fothergill is expected to publish a profits and dividend forecast for 1987.

Yesterday, Fothergill shares added 15p to 263p on the news — well above the bid offer of 225p. Courtaulds itself added 12p to 366p.

Stagnant market hits Denmans

A stagnant market was blamed for lower profits by Denmans Electrical in the year to the end of September 1986. However, in the present year Mr Arnold Denman, chairman, said that sales targets were being achieved and if the performance was maintained profits would recover.

On turnover up at £19.28m (£18.67m) pre-tax profits fell to £859,000 (£1m). Earnings per share for this Bristol-based electrical distributor were unchanged at 13.4p. The directors are proposing a final payment of 2.5p (2.45p), making a total for the year of 3.85p (3.7p).

Mr Denman said growth in trading profits was less than the increase in costs which included the initial costs of setting up two new depots. The importing business established itself and showed potential for growth, he added.

The company's shares are traded on the USM.

Harvard ahead

At the annual meeting of Harvard Securities Group, Mr Tom Wilmot, chairman, told shareholders that during the first quarter, trading had been buoyant with turnover up by approximately £35m to £47m. Traditionally, the first quarter was one of consolidation and usually ended in a trading loss. However, early indications showed a first quarter profit in excess of £250,000. Continuation of this trend would indicate a substantial increase in profits for the year ended September 1987, he stated.

Redpath progresses

Redpath Industries, a Canadian 50.39 per cent owned subsidiary of Tate & Lyle, increased its pre-tax profits from C$11.4m to C$12.7m (£9.33m) in the first quarter from income of $160m compared with $132m. Redpath's shareholders have approved a 2-for-one sub-division of the common shares.

Redpath's subsidiary, Automotive Industries Inc, of Virginia, will construct a new 200,000 sq ft plant in Indiana at a cost of C$16m. Completion is forecast for September 1987.

Brunnings tumbles £0.2m into the red

Pre-tax losses of £208,000 were incurred by the Brunning Group in the six months to September 30 1986, compared with profits of £402,000.

Mr Trevor Shonfeld, chief executive, said the loss reflected effects of the deteriorating trading position of the group prior to the new management taking control from the Brunning family in June 1986.

Management priorities since then had been to review all existing poerations, he added, taking remedial action where necessary, and to establish effective management in all operations.

That action had only fully taken effect in the fourth quarter of the current year, he said, and although there would be a great improvement on the previous year's £1.18m loss, the group was still likely to report a loss for the second half as a whole.

A better second half, he added, due to the improved fourth quarter, would be in marked contrast to previous years when the second half result had invariably been worse than the first.

Brunnings, a holding company for advertising agencies and ancilliary advertising, saw its turnover fall from £33.53m to £28.26m during the period. This was partly due to the closure of PHS Nelson, and partly from loss of business from the Daily Express newspaper since the United Newspaper takeover, and Bonusprint. Business gained, however, included Northern Dairies.

Part of the trading loss reflected further provisions which the directors felt it was prudent to make against amounts in respect of the period to March 31 1986. The pre-tax loss was also after increased interest charges, up from £46,000 to £123,000, required to fund the losses of 1985-86.

There was a tax credit of £12,000 (£160,000 charge), and an extraordinary credit of £97,000, being profit from the disposal of shares in Societe Rochefortaise SA, net of group reorganisation costs.

Losses per share worked through at 3.2p (7.8p earnings) and there is no interim dividend proposed. The directors will review the situation at the year end.

Looking ahead Mr Shonfeld said prospects for 1987-88 looked very promising, with the return of the group to profitability and the likely elimination of losses on properties.

The letting of Brunning House on a licensed unit basis was currently proving successful, he said, so the heavy cost incurred previously had been sharply reduced. The full effect would not be felt until 1987-88 when that property should make a positive contribution. The directors continued their efforts to improve the position regarding other properties by disposal or letting.

Several key appointments had been made by the directors, and they expected to be shortly able to announce the appointment of a chairman. The new management team was actively reviewing the group's future strategy, Mr Shonfeld said, and the directors hoped to make a further announcement on this in the near term.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
AGB Research ......int	2.75	April 6	2.75	—	6.75
Border TV‡ ......int	0.6	Mar 27	—	—	—
Denmans	2.5‡	Feb 27	2.45	3.85	3.7
Turnbull Scott ......int	3	—	3	—	9

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
¶¶	F.P.	30/1	70	65	‡Avesco (Reg) 1p	70	......	L0.5	6.6	1.0	87.5
¶¶	F.P.	—	32	24	Benson (SGB)	30	......	bd0.5	3.2	2.3	18.7
§§	F.P.	—	63	37	‡Border TV	58	−5	2.5	3.2	6.1	7.2
135	50	20/2	72¼	61	British Gas	71	+¼	w6.5	2.1	5.9	11.3
§65	F.P.	8/1	72	68	‡Cap & Reg Prop 10p	68½	+1	—	—	—	35.5
§94	F.P.	6/1	114	107	‡Gaynor Group 10p	114	+2	L2.67	2.8	3.3	15.5
§95	F.P.	19/1	119	105	‡Halls Homes&Gdns 5p	118	+½	R2.77	2.7	3.3	13.0
§23	F.P.	5/1	29	24	‡Harmony Leisure 5p	29	......	10.1	12.4	0.5	23.3
§100	F.P.	14/1	121	99	‡Hornby Group 5p	99	−2	R3.195	2.8	4.8	13.3
§128	F.P.	30/1	167	146	Hoskyns Group 5p	165½	......	a1.6	5.6	1.4	8.5
§150	F.P.	23/1	170	153	‡Johnson Fry 10p	155	......	ß5.72	3.1	3.4	13.6
§65	F.P.	21/1	80	65	Logitek 5p	80	......	R1.8	3.8	3.2	11.7
§144	F.P.	23/1	151	144½	MIL Research 5p	150½	......	R3.0	3.4	2.8	14.6
§102	F.P.	—	113	104	‡Mayborn Group 5p	111	......	R3.2	3.0	4.1	11.5
150	75	—	78	75	Mezzanine Tst. Inc.	77	......	a10.4	—	9.6	—
50	F.P.	—	53	50	Do. Capital 50p	51	......	a10.4	—	11.	—
§105	F.P.	19/12	105	94½	Miss Sam 10p	102	+1½	u3.91	2.4	5.4	10.7
§152	F.P.	23/1	158	152	Nobo Group 10p	155	+½	R4.75	2.8	4.3	11.8
§100	F.P.	—	103	101	Paribas French Inv. Tst.	100½	......	—	—	—	—
170	F.P.	19/12	251	193	‡Spandex 10p	244	......	ad3.0	2.7	1.7	30.6
§135	F.P.	9/1	143	138	Sunlit £1	138	......	a3.5	1.7	3.6	—
70	F.P.	9/1	113	90	‡TSB Channel Islands	108	......	R3.92	3.7	4.5	7.5
§112	F.P	8/1	125	119	‡Tribble Harris $0.01	125	......	R03.6c	2.8	2.0	8.3
§130	F.P	—	168	148	Viking Packaging 10p	168	......	u3.5	3.0	2.9	6.2
§135	F.P	23/1	161	138	Wilding Office 10p	158	......	u3.25	2.3	2.9	20.8

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price £	+ or −
¶¶	F.P.	—	112½p	101p	Brit&Commonwealth7¼%Cv.Sub.Un.Ln.2000	112½p	1¼
§110p	F.P.	—	110p	110p	Great Western Res. Ser. 'B' Prf. $0.01	110p	—
§100	F.P.	—	108p	99½p	Hanover Druce 6¼% Cnv. Cum. Red. Prf. £1	104p	—
—	F.P.	—	105p	101p	Intl City Hldgs 8½% Cnv Cum Red Prf £1	103p	—
§	F.P.	3/2	108p	102p	Leisure Inv. 7% Cum. Cnv. Red. Prf. £1	108p	—
101.61	£10	19/3	12¾	11½	Mid-Kent Water 8¾% Red Prf. 1997	12¾	—
§100	£50	15/5	49½	41½	Mid-Sussex Water 11% Red Deb 2012-16	49¾	—
§99.237	F.P.	—	101½	101⅛	Moorside Inv. Tst. 11% Deb. 2012	101¼	—
—	F.P.	—	100¼	100⅛	Nationwide 11¼% Bds. 18/1/88	100⅛	..
¶¶	F.P.	—	159p	155p	P. & O. 6¾% Cnv. Red. Prf.	159p	2½
‖	Nil	20/2	7pm	3pm	Scaaro Hldgs. 7¼% Cv. Cm. Rd. Prf. £1	7pm	—

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986/7 High	1986/7 Low	Stock	Closing Price p	+ or −
55	F.P.	18/2	68	65	Belhaven Brewery	68	......

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures. † Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." §§ Introduction. ¶¶ Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‡ [illegible] Unlisted Securities Market. †† Official London listing. ‡‡ Including warrants [illegible]

INTL. COMPANIES and FINANCE

SSAB may propose heavy lay-offs

BY SARA WEBB IN STOCKHOLM

THE NEW board of directors for SSAB, the Swedish state-controlled commercial steel group, is due to meet on February 2 to present far-reaching plans for the restructuring of the Swedish steel industry.

The metal and engineering union has already expressed its fears over possible job cuts in the group in response to the problems of overcapacity and depressed prices in the steel industry.

The management has refused to comment on whether such cuts are included in what it describes as its "new action plan," due to be discussed at the board meeting.

Last year, the Swedish Government announced plans to launch Ssab on the stock market eventually, and at the same time, gave the group a complete change of board, consisting of many of the big industrial names in Sweden.

According to Mr Lars-Gunnar Lendenius, the representative for both blue- and white-collar workers at Ssab, the only way that the group could be turned into a suitable candidate for a stock market launch would be to close down the unprofitable business areas.

The union believes this would lead to the loss of several thousand jobs, amounting to perhaps 20 per cent of the workforce. Ssab employs about 15,000 people.

Ssab is expected to show profits — after financial items —of between SKr 350m and SKr 400m ($61.5m) for 1986. However, both its profiles division, which makes steel beams and rolled and welded sections, and the mining division are loss-making and could well be cut back.

BTR Nylex in A$160m bid

BY CHRIS SHERWELL IN SYDNEY

BTR NYLEX, the Australian subsidiary of the British BTR Group, yesterday made a cash offer for the US-controlled Borg-Warner (Australia), valuing the target company at about A$160m (US$105.6m).

The offer of A$4 cash for each ordinary and cumulative preference share follows the disclosure from Borg-Warner (Australia) earlier this week that it was discussing a possible takeover with a third party.

The company's US parent, which is under pressure from Mr Irwin Jacobs, corporate raider, has recently been seeking to sell some of its US assets, but agreed last month to consider a reasonable price from an acceptable purchaser for its 75 per cent-owned Australian subsidiary.

BTR Nylex, 59 per cent owned by BTR of the UK, makes industrial products, including conveyor belts, hose, plastic and polymer products and hydraulic components.

Last November it bought three Taiwanese plastics companies for A$165m and in January it acquired Malcolm Moore, another industrial equipment maker. Cash flow is said to have been strong over the past year, and there is a surplus from the proceeds of a rights issue completed in November.

BTR Nylex's executives see opportunities in Borg-Warner's chemical, pump and automotive component manufacturing activities.

The deal, which is conditional on a 50.1 per cent acceptance of all ordinary and cumulative preference shares, required the approval of the Government's foreign investment review board, and this came through yesterday.

On the Stock Exchange Borg-Warner shares closed at A$4.25, a record high and substantially above the A$2.65 level seen around Christmastime.

Setback for Japanese tape maker

By Yoko Shibata in Tokyo

TDK, the world's largest maker of magnetic tape, suffered a 48.9 per cent fall in consolidated net profits to Y15.41bn ($101m) in the year to November 1986, due to the yen's sharp rise and lower video tape prices.

Net earnings per American Depository Receipt were Y256.03, compared with Y500.69 a year ago. TDK's consolidated performance reflected parent company pretax profits of Y27.22bn, down 49.7 per cent, and net profits of Y12.87bn, down 51.8 per cent.

On a consolidated basis, including 47 subsidiaries and affiliates, sales fell to Y385.89bn, down 9.6 per cent from a year ago. Videotape sales by volume increased more than 20 per cent, but prices fell by 14 per cent due to intensified competition.

The upsurge of the yen's value was a severe blow to audiotape sales, since 70 per cent of these tapes are sold overseas. As a result, sales of the magnetic recording tape division, which includes audio tapes, fell by 14 per cent to account

Sales of electronic materials and components for televisions, computers and communication equipment also declined, despite expansion of volume sales.

Although TDK's overseas sales — particularly of tapes in the US and electronic components in South-east Asia — increased in local currency terms, in yen terms they showed a drop of 11.8 per cent to Y181.89bn.

For the current year, consolidated net profits are projected at Y16bn, up 9 per cent, while sales are forecast to rise 3.7 per cent to Y400bn.

Although TDK expects sales of magentic tapes to stay almost flat, it hopes to benefit from expanding production facilities in newly-industrialising countries (NICS) such as South Korea, thus avoiding exchange losses resulting from the strong yen.

Sharp downturn at Ciga Hotels

BY ALAN FRIEDMAN IN MILAN

CIGA HOTELS, the luxury Italian hotel chain which is controlled by the Aga Khan, suffered a sharp downturn into loss last year.

The Ciga group, which includes among its hotels the Gritti Palace on the Grand Canal in Venice, made a L1.8bn ($1.4m) loss in 1986, against a 1985 consolidated net profit of L9.8bn.

The hotel chain, which was taken over two years ago by the Aga Khan, blamed the deficit on falling revenues which in turn resulted from the serious decline in tourists from North America. "Both the fear of terrorism and the fall in the value of the US dollar had negative consequences," said Ciga yesterday.

Ciga's group turnover declined by 14.4 per cent in 1986 to L184.5bn. The group's cash flow meanwhile dropped by L10bn last year, to L24.1bn.

The hotel chain said the number of North American guests fell by a quarter last year, and whereas in 1985 North Americans accounted for 45.9 per cent of all clients, this figure in 1986 declined to 26.7 per cent.

The Aga Khan acquired control of the Ciga group in 1985 from Mr Orazio Bagnasco, the founder of the troubled Europrogramme, the Swiss-based property fund. Apart from owning the Ciga chain and a hotel complex on Sardinia's Costa Smeralda, he is also the spiritual leader of 15m Ismaeli Moslems.

Teledyne plans maiden payout

BY WILLIAM HALL IN NEW YORK

TELEDYNE, the successful Los Angeles-based conglomerate founded by Mr Henry Singleton, has begun paying a regular dividend on its common stock for the first time in its 26-year history.

The company, which recently reported 1986 net income of $238.3m, or $20.35 per share, announced yesterday that it planned to pay an initial quarterly cash dividend of $1 per share on February 25 to holders of record on February 5.

It says that it intends to pay a regular quarterly dividend in future, but would give no explanation for its decision.

Teledyne, which has annual sales of more than $3bn and more than 100 companies in its stable, is run along the lines of an investment portfolio with subsidiaries which do everything from producing internal combustion engines to oral hygiene products.

Teledyne has stood out on Wall Street as one of the few large and financially sound companies that did not pay a cash dividend. Instead the company rewarded shareholders by spinning off shares in associated companies and producing a steadily rising share price which ensured that shareholders would enjoy handsome capital gains.

Although the company would not elaborate on its decision to begin paying a regular dividend, several US companies have been increasing their dividend payments recently since changes in the US tax laws make dividend payments more attractive relative to taking capital gains.

Delta Air Lines earnings boosted by special gains

BY OUR FINANCIAL STAFF

DELTA Air Lines, the major US carrier which recently bought Western Air Lines for $860m, boosted second-quarter net earnings from $1.9m or 5 cents a share to a record $125.5m or $3.02, aided by a $50.8m gain on the sale of aircraft.

Other factors contributing to what Delta called "outstanding results" for the quarter were a 14 per cent increase in passenger traffic, a slowdown in the decline in yield per passenger mile, and a 47 per cent drop in the average fuel cost per gallon.

The sharp rise in profits takes the six months total to $178.5m or $4.37 a share, compared with $31.4m or 78 cents in the year-earlier period, when there was a $7.9m gain from aircraft sales. Results include a contribution of $675,000 from Western for the past 13 days of the period, which ended December 31.

Second-quarter revenues edged up from $1.12bn to $1.2bn, lifting the six-month figure to $2.29bn ($2.24bn).

For the six months, passenger revenues rose 3 per cent, while passenger traffic grew 12 per cent to 16.2bn passenger miles.

Separately, the company announced a series of middle management personnel changes including the election of four Western executives as Delta officers.

Amdahl shows record figures in fourth quarter

BY LOUISE KEHOE IN SAN FRANCISCO

AMDAHL, the leading US manufacturer of "plug-compatible" mainframe computers which run IBM software, reported record sales and earnings for the fourth quarter, in sharp contrast to IBM's 48 per cent fourth quarter earnings decline, reported earlier this week.

Amdahl's fourth quarter sales totalled $336.8m, up from $257.2m in the same period a year ago. Net income rose to $29.6m, or 60 cents per share including a five-cent extraordinary tax credit, compared with $13.7m or 29 cents for the fourth quarter of 1985.

For the year, revenues were $966.3m compared with $862m in 1985, while net income for the year rose to $41.8m or 86 cents per share, from $28.7m or 60 cents in 1985, which include a 9-cent extraordinary credit.

Amdhal attributed its increased sales and profits to strong acceptance of its latest mainframe computer products which compete directly with IBM's higher priced Sierra 3090 mainframes. But the company does not believe its increased sales signal an end to the US capital spending slowdown that has depressed the domestic computer market over the past two years.

This week Amdahl introduced a new, lower-priced version of its new mainframe architecture.

Inland Steel returns to the black

BY OUR FINANCIAL STAFF

INLAND STEEL Industries, the major US integrated steel producer, has reported its first annual net profits since 1981, helped by special factors and an improved performance in the steel operating subsidiary.

Net income in 1986 was $19.3m or 40 cents a share, compared with a loss in 1985 of $178.4m or $7.37 per share. In the fourth quarter, the company reported net profits of $30.2m or 95 cents a share, against a deficit of $90.5m a year earlier.

The figures, however, are distorted by special gains and charges. The latest fourth-quarter results include a $9.5m loss from discontinued operations, while the 1985 figures come after a similar $22.8m loss.

The full year profits for 1986 were only achieved after a $64m gain from Lifo adjustments, while 1985 included a $31m loss from discontinued operations. Fourth-quarter sales rose 14 per cent to $817.6m, taking the total for the year to $3.2bn, up 6 per cent from the $3bn achieved in 1985.

Despite the special factors, the company was able to claim a much better result from core integrated steel operations, which made an operating profit in 1986 of $95.5m—including the Lifo gains which reduced the cost of goods sold—compared with a loss of $29.1m in the previous year.

The division's performance was helped by higher shipments and improvements in productivity, but the company noted that profitability was restrained by the continued low level of sales, which in turn reflected "the pervasive influence of domestic and foreign overcapacity."

Mr Frank Luerssen, chairman, said the company expected higher profits this year.

Fairfax moves to block News

By Our Financial Staff

JOHN FAIRFAX has taken legal action aimed at halting the News Corp takeover offer for The Herald and Weekly Times (HWT), the Australian newspaper and publishing group.

Fairfax, which is also bidding for HT(, issued a writ against News Corp's bidding vehicle, News Ltd, claiming the offer was invalid.

The writ, naming the HWT, its 10 directors and News Ltd as parties to the action, seeks damages and a series of declarations, injunctions, both permanent and temporary, and orders blocking the bid.

Tan Sri Khoo frustrates Brunei authorities

BY STEVEN BUTLER IN SINGAPORE

LAWYERS representing Malaysian Chinese financier Tan Sri Khoo Teck Puat yesterday once again frustrated efforts by the Brunei government to seek a quick repayment of more than S$1bn (US$465m) owed to the National Bank of Brunei (NBB) by Khoo-related companies.

A Singapore court yesterday granted an adjournment until March 10 of a case in which the National Bank of Brunei sought a summary judgment against Khoo and 14 Khoo companies in Singapore. The companies and Khoo personally had stood as guarantors for S$818m of loans owed by Khoo companies in Brunei and Hong Kong.

Tan Sri Khoo's lawyers argued that more time was needed to prepare their case. The delay will also give Tan Sri Khoo and his financial advisers, Shearson Lehman, badly needed breathing space to work out a financial package to settle the affair.

An earlier reprieve was granted on Tuesday, when the Brunei High Court set aside writs issued against five Khoo-related companies on the grounds of bad service. Lawyers representing the NBB have not yet decided whether to appeal the decision, or to serve the writs again.

Meanwhile in Australia, the NBB is awaiting a response from Khoo's hotel company, the Southern Pacific Hotel Corporation, to the NBB's application last week that 9,996 of the company's 10,000 issued shares be reregistered in the name of the NBB. The action would deprive Tan Sri Khoo of one of his main assets, Australia's largest hotel chain which is estimated to be worth A$600m (US$395m).

COMMODITIES AND AGRICULTURE

WEEKLY PRICE CHANGES

	Latest prices per tonne unless stated	Ch'nge on week	Year ago	1986/87 High	1986/87 Low
METALS					
Aluminium					
Free Market c.i.f.	$1240/260	−15	$1240/1260	$1420/1450	$1150/1170
Antimony					
Free Market 99.6%	$2250/300	—	$2710/2770	$2720/2780	$2500/2550
Copper-Cash Grade A	£874.75	−16.25	£999.5	£1028.5	£862.25
3 months Grade A	£896.75	−15.5	£1023.25	£1059.25	£881.25
Gold per oz	$405	−12.25	$353.5	$439.375	$327.5
Lead Cash	£289.25	−18.5	£255	£376.5	£233.5
3 months	£290.75	−16.5	£264.75	£357.5	£241.25
Nickel					
Free market	163/183c	−3	183/203c	196/216c	156/177c
Palladium	$122.75	−0.5	$104.50	$151.00	$95.25
Platinum per oz	$518.50	−12.25	$362.50	$673.75	$542.50
Quicksilver (76 lbs)	$150/160	—	$220/240	$250/260	$115/125
Silver per oz	361.30p	−8.15	430.75p	452.10p	317.70p
3 months per oz	370.90p	−8.55	443.30p	466.20p	325.60
Tin					
Free market	£4,490/520	−60	†	£6980/8250	£3,470/450
Tungsten Ind.	$43.18	+1.74	$63.71	$69.74	$41.44
Wolfram (22.04 lb)	$37/45	+1	$53/61	$56/63	$32/42
Zinc cash	£483.5	−25	£443.5	£632.5	£409
3 months	£478.5	−23	£457.75	£621.75	£416.25
Producers	$820	—	$660/700	$920	$650/670
GRAINS					
Barley Futures Mar	£112.90	+0.30	£115.45	£118.80	£96.60
Maize French	£143.50	—	£141.00	£154.00	£130.00
WHEAT Futures Mar	£114.20	+0.80	£117.70	£121.45	£98.30
SPICES					
Cloves	$3,750	−50	$4800	$5,100	$3,900
Pepper white	$5,900	−300	$6700	$6,725	$4,600
black	$4,650	−100	$4250	$4,700	$3,600
OILS					
Coconut (Philippines)	$450y	+30	$382.5	$470	$200
Palm Malayan	$372.5z	+42.5	$330	$405	$197
SEEDS					
Copra (Philippines)	$300x	—	$220	$280	$140
Soyabeans (U.S.)	$141	−1	$227.4	$229.8	$137.5
OTHER COMMODITIES					
Cocoa Futures May	£1352	−48.5	£1715.5	£1,804.5	£1,264.5
Coffee Futures Mar	£1634	−75	£2417.5	£3,007.5	£1,547.5
Cotton Outlook A Index	67.00c	+1.35	52.60c	67.20c	36.35c
Gas Oil Fut. Mar.	$159.75	−2.5	$188.75	$232.75	$90.75
Jute LJA BWC grade	$310	—	$315	$320	$215
Rubber kilo	65.5p	+0.75	59.5p	68p	54p
Sisal No. 3L	$610	—	$595	$625	$590
Sugar (Raw)	$175.5y	+14.5	$116	$222.5	$115
Tea (quality) kilo	175p	—	180p	202p	175p
(low med) kilo	105p	−3	105p	136p	80p
Wooltops 64s Super	421p kilo	—	400p Kilo	429p kilo	387p kil

† Unquoted. (g) Madagascar. (x) Jan-Feb. (y) Feb-March. (z) Feb.

LONDON MARKETS

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	765-77	−7	—
3 months	779-80	−6.25	782/778.5

Official closing (am): Cash 765-6 (3), settlement 766 (760.5). Final Kerb close: 781-782. Turnover: 48,300 tonnes. close+ 781-782. Turnover+ 48,200 tonnes.

COPPER

Grade A	Unofficial close	+ or −	High/Low
Cash	874.5-5	−2.75	874.5
3 months	896.5-7	−2.5	904/895

Official closing (am): Cash 874-4.5 (877-7.5), three months 895.5-6 (898-9.5), settlement 874.5 (877.5). Final Kerb close: 897-897.5.

Standard			
Cash	847-9	−3	—
3 months	874-5	−2.75	—

Official closing (am): Cash 845-8 (850-1), three months 871-3.5 (876-8), settlement 848 (851). US Producer prices: 62.60-68 cents a pound. Total Turnover: 29,475 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	289-9.5	−1.25	289.75/289.5
3 months	290.5-1	−1.75	292/286

Official closing (am): Cash 289.5-9.75 (291.5-2), three months 291-1.5 (293.5-4), settlement 289.75 (292). Final Kerb close: 291-92. Turnover: 5,400 tonnes. US Spot: 24-27 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	2355-60	+40	2365
3 months	2408-10	+40	2410/2385

Official closing (am): Cash 2,350-5 (2,308-10), three months 2,395-400 (2,368-70), settlement 2,355 (2,310). Final Kerb close: 2,407-2,408. Turnover: 828 tonnes.

TIN

KUALA LUMPUR TIN MARKET—Close: 17.20 (17.23) ringgit per kg. Down 0.2.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	483-4	−6	482
3 months	478-9	−7	483/475

Official closing (am): Cash 482-3 (490-1), three months 477-8 (484.5-5), settlement 483 (481). Final Kerb close: 475-76. Turnover: 10,875 tonnes. US Prime Western: 41-44.75 cents a pound.

GOLD

Gold fell $6¾ an ounce from Thursday's close in the London bullion market yesterday to finish at $402¾-403¼. The metal opened at $406¼-406¾ and traded between a high of $407-407½ and a low of $399¾-400¼. Gold recovered from a weaker opening but then fell back, breaking through the $400 level but without sufficient conviction to stay below this level. The dollar's firmer trend added to the bearish tone.

GOLD BULLION (fine ounce) Jan. 23		
Close	$402¾-403¼	(£264-264½)
Opening	$406¼-406¾	(£269-269½)
M'n'g fix	$403.55	(£265.406)
Aft'n'n fix	$400.00	(£268.416)

GOLD AND PLATINUM COINS		
Am Eagle	$414½-418¼	(£270-273½)
Mapleleaf	$411½-416	(£268¼-271¼)
Kr'g'r'nd	$405-407	(£264-265¼)
½ Krug	$204-205	(£133-133½)
¼ Krug	$103-104	(£67¼-67¾)
Angel	$414-417	(£269¾-271¾)
1/10 Angel	$42-47	(£27¼-30¼)
New Sov.	$97-99	(£63¼-64½)
Old Sov.	$96¾-98¼	(£63-64)
$ 20 Eagle	$450-500	(£293¼-326)
Noble Plat	$529-537	(£344¾-350)

SILVER

Silver was fixed 0.15p an ounce lower for spot delivery in the London bullion market yesterday at 361.3p. US cent equivalents of the fixing levels were: Spot 551.5c, down 2.6c; three-month 559.6c, down 2.85c; six-month 567.85c, down 2.5c; and 12-month 584.2c, down 2.2c. The metal opened at 365-368p (553-555c) and closed at 361-363p (551-553c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	361.30p	−0.15	361p	+1
3 months	370.90p	−0.25	370p	—
6 months	380.35p	+0.15	—	—
12 months	399.05p	+0.80	—	—

LME — Turnover: Nil (10) lots of 10,000 ounces.
Final kerb, three months 370-2p.

INDICES

REUTERS

Jan.23	Jan.21	M'th ago	Year ago
1601.5	1594.5	—	1852.1

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Jan. 22	Jan. 21	M'th ago	Year ago
Spot	115.65	116.01	—	132.91
Fut	116.85	116.63	—	132.66

(Base: December 31 1931=100)

SOYABEAN MEAL

	Y'sterd'ys close £ per tonne	+ or −	Business done
Feb.	125.5-128.0	+0.25	—
April	125.0-125.2	−0.15	—
June	118.5-118.0	−0.75	117.5-117.0
August	114.0-115.5	+0.50	115.0-114.8
October	116.0-117.0	+0.25	—
Dec.	117.0-120.0	−1.00	—
Feb.	120.0-124.0	+0.25	—

Sales: 301 (296) lots of 20 tonnes.

COFFEE

During a quiet day the market found trade selling at higher levels and price fixing as the market surrendered any ground, reports Drexel Burnham Lambert.

COFFEE	Yesterday close	+ or −	Business Done
Jan	1625-1650	+25.0	1635-1620
Mar.	1635-1636	+31.5	1645-1615
May	1664-1666	+31.0	1665-1635
July	1680-1686	+35.0	1692-1665
Sept.	1705-1715	+32.5	1722-1687
Nov.	1730-1740	+37.5	1747-1725
Jan.	1750-1770	+45.0	—

Sales: 3,254 (5,818) lots of 5 tonnes. ICO indicator prices (US cents per pound) for January 22: Comp. daily 1979 119.14 (116.64); 15-day average 118.48 (118.56).

COCOA

Futures opened sharply lower following a week New York close as the failure of the cocoa talks triggered heavy commission house liquidation. The pressure persisted through an active session. Prices went through limit-down levels and posted new life-of-contract lows. Some industry offtake was seen but producers remained sidelined, reports Gill and Duffus.

COCOA	Yesterday's close £ per tonne	+ or −	Business Done
March	1316-1317	−46.0	1350-1315
May	1350-1354	−37.5	1377-1348
July	1377-1378	−43.0	1406-1376
Sept.	1410-1411	−38.5	1453-1405
Dec.	1435-1437	−38.0	1452-1450
March	1462-1467	−38.5	1482-1458
May	1482-1488	−31.0	1498-1460

Sales: 6,115 (3,979) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for January 23: 1,525.73 (1,591.87); five-day average for January 26: 1,591.44 (1,598.76).

POTATOES

Following Thursday's trend and helped by a firmer Dutch quote, the London market opened up £1.10, basis April, encouraging further buying interest. However, profit-taking and nervousness saw values fall back below Thursday's close. Afternoon trading was quiet and in a narrow range with buying interest on the back of expected Dutch export figures helping April recover, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business done
Feb.	113.00	113.00	—
Apr.	161.20	160.40	163.30-160.00
May	184.10	182.50	185.90-183.50
Nov.	89.50	90.50	90.00-89.00
Feb.	97.50	98.60	—

Sales: 1,040 (1,275) lots of 40 tonnes.

RUBBER

PHYSICALS — The London market opened slightly easier, attracted some interest at the lower levels and closed uncertain, reports Lewis and Peat. Closing prices (buyers): Spot 65.50p (64.75p); Feb 63.50p (62.75p); March 63.75p (63.00p). Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 227 (same) and SMR 205.5 (207.5).

FUTURES—Index 655, Feb 675-685, March 680-690, April/June 685-695, July/Sept 691-705. Sales: Nil.

GRAINS

Mnth	WHEAT Yest'rdy's close	+ or −	BARLEY Yest'rdy's close	+ or −
Jan	—	—	—	—
Mar	114.20	−0.75	112.90	−0.70
May	116.90	−0.50	114.85	−0.70
July	119.15	−0.35	—	—
Sep.	100.80	−0.25	100.50	−0.10
Nov.	103.00	−0.15	103.40	−0.20
Jan.	105.90	−0.20	106.15	−0.10

Business done—Wheat: Jan 113.00-2.75, March 114.70-4.00, May 117.30-6.90, July 119.35-9.15, Sept 101.00, Nov 103.10-3.00, Jan untraded. Sales: 824 lots of 100 tonnes. Barley: Jan 112.30-1.50, March 112.50, May 114.80, Sept 100.50, Nov 103.40, Jan untraded. Sales: 60 lots of 100 tonnes.

HGCA — Locational ex-farm spot prices. Feed barley: E. Midlands 113.20, N. East 112.80, Scotland 111.10. The UK monetary coefficient for the week beginning Monday January 26 is expected to be unchanged.

LONDON GRAINS—Wheat: US Dark Northern Spring No 1, 15 per cent: Feb 105.25, March 105.75, April/May 102.25. US No. 2 Soft Red Winter: Feb 105.00. French 11½-12 per cent: Jan 141.50. English feed, fob: Jan 116.75, Feb 118.75 sellers, March 118.75-119.75, April/June 121.00-121.75 buyer/sellers. Maize: US No 3 Yellow/French transhipment East Coast: Jan 143.50. Barley: English feed, fob: Jan 117.00, Feb 118.00 sellers, March 118.00-119.00 buyer/sellers English, Feb 116.00 seller Scottish.

SUGAR

LONDON DAILY PRICE—Raw sugar $175.50 (£115.50), up $3.50 (up £3.50) a tonne for February-March delivery. White sugar $199.50, up $3.00.

Reports that the USSR had re-entered the market lifted prices to the highest levels since last sumer, reports C. Czarnikow.

No. 6 Contract	Y'sterd'ys close $ per tonne	Previous close	Business done
Mar.	181.2-181.4	166.8-168.0	181.4-165.8
May	181.0-182.0	169.4-169.8	182.2-167.4
Aug.	185.4-186.0	172.6-173.0	185.0-171.4
Oct	188.0-189.6	175.8-176.6	188.0-174.4
Dec.	192.0-194.0	178.0-180.0	—
Mar	198.0-198.0	187.8-188.0	190.0-187.0
May	199.0-203.0	190.0-191.0	—

Sales: 8,107 (8,178) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £220.50 (£216.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for January 22: Daily price 5.93 (6.52); 15-day average 6.05 (5.85).

PARIS—(FFr per tonne): March 1241-1245, May 1270-1273, Aug 1302-1312, Oct 1335-1342, Dec 1360-1380, March 1420-1430.

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
Jan.	860/864	865/855	840/843
April	790	808/788	769/770
July	668/670	670/668	653/650
Oct.	790	795/780	773/778
Jan.	800/820	810	790/800
Apr.	810/820	810	785/790
July	630	710	690
Oct.	785	803	785
BFI.	863	—	863

Turnover: 421 (212).

US MARKETS

GOLD FUTURES continued to slide as the dollar recovered and as uptrend lines and support areas around $407-$405 basis February, were penetrated, reports Drexel Burnham Lambert. Commission houses selling pressured prices throughout the day, a brief respite coming when the trade appeared as a buyer, but the decline continued as the buying subsided. Silver also broke trend lines at 552c basis March. Energy futures were curiously dull, mostly dominated by those locals who braved the recent snow storm, but in keeping with the recent reaction the market declined in light volume on commission house selling with intermittent trade support. Sugar futures closed sharply higher as commission house buying touched off stops in the face of price-fix selling. News of large-scale buying by the USSR fuelled the advance. Cocoa futures fell sharply as speculators liquidated positions following news of the breakdown of the ICCO agreement. Trade and industry support appeared at the lows. Cotton futures rose on good commission house buying reflecting technical strength. The grains were quiet. Wheat was firm as a result of anticipated sales under the US subsidy programme. Maize was featureless whilst soyabean oil was very firm on good European buying in the cash market. Soyabeans were firm reflecting the demand for oil, but meal declined as traders sold the market against the oil. The meats were very quiet, with position squaring in all markets reflecting the forthcoming cattle-on-feed report which is expected to be constructive.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Jan	52.35	—	—	52.10
Feb	52.50	—	—	52.25
March	52.65	52.80	52.65	52.40
May	52.80	52.80	52.80	52.55
July	52.80	—	—	52.55
Sept	52.85	—	—	52.60
Dec	50.05	—	—	60.05
Jan	53.30	—	—	53.05
March	53.45	—	—	53.20
May	53.55	—	—	53.30

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
March	1815	1858	1810	1869
May	1853	1893	1849	1908
July	1892	1921	1890	1933
Sept	1914	1945	1910	1960
Dec	1946	1976	1942	1988
March	1973	1980	1975	2015
May	1995	—	—	—

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
March	126.96	127.00	125.05	126.41
May	129.27	129.40	127.60	128.70
July	131.50	131.50	130.00	131.49
Sept	133.50	133.75	132.40	133.49
Dec	135.50	136.50	135.50	135.78
March	137.50	137.10	137.00	137.00
May	138.00	—	—	136.75

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Jan	60.15	60.10	60.10	60.35
Feb	60.20	—	—	60.45
March	60.50	60.70	60.15	60.80
May	60.95	61.15	60.70	61.20
July	61.50	61.70	61.20	61.75
Sept	61.90	62.15	61.75	62.15
Dec	60.45	60.45	60.30	60.15
Jan	62.70	—	—	63.00
March	63.15	63.25	63.25	63.45
May	63.45	—	—	63.75

COTTON 50,000 lbs, cents/lb

	Close	High	Low	Prev
March	60.63	61.73	60.45	60.75
May	59.40	60.15	59.20	59.40
July	58.50	59.10	58.20	58.40
Oct	57.70	58.10	57.80	57.65
Dec	56.72	57.39	56.70	56.82
March	57.20	57.30	57.20	57.05
May	57.50	57.50	57.50	57.27

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
Feb	18.72	18.74	18.45	18.70
March	18.75	18.94	18.71	18.87
April	18.58	18.73	18.54	18.89
May	18.35	18.45	18.34	18.45
June	18.08	18.20	18.08	18.19
July	17.94	18.00	17.90	18.03
August	17.85	17.95	17.85	17.55
Sept	17.90	17.90	17.90	17.90
Oct	17.85	—	—	17.80

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
March	120.00	120.70	119.50	121.65
May	119.90	—	119.70	122.25
July	121.00	121.90	—	122.50
Sept	122.00	122.40	120.50	123.40

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Jan	404.9	—	—	408.3
Feb	[illegible]	406.3	400.4	403.9
March	[illegible]	409.0	403.8	410.6
April	405.1	410.2	404.0	412.8
June	412.7	412.5	[illegible]	416.4
August	411.4	412.0	411.0	[illegible]
Oct	419.9	420.5	417.0	423.6
Dec	422.5	424.0	419.0	[illegible]
Feb	427.2	427.2	424.5	430.3
June	434.6	433.0	432.0	423.2

HEATING OIL 42,000 US gallons, cents/US gallons

	Close	High	Low	Prev
Feb	53.[illegible]	51.40	52.20	53.97
March	52.82	53.55	52.60	53.25
April	51.20	51.55	50.90	51.40
May	49.40	49.80	49.20	49.55
June	48.23	48.65	48.25	48.40
July	48.10	43.45	48.30	48.25
August	48.30	—	—	48.75
Sept	43.55	—	—	49.75

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Jan	494.8	516.5	511.0	523.8
April	519.8	521.0	507.0	527.3
July	523.3	524.0	512.0	530.3
Jan	530.8	—	—	537.8
April	535.8	—	—	542.8

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Jan	554.5	550.0	550.0	556.9
Feb	555.4	—	—	557.8
March	559.0	560.0	550.5	560.5
May	564.7	561.0	557.0	566.3
July	570.2	565.5	563.0	571.8
Sept	576.0	575.0	572.0	577.7
Jan	587.8	—	—	589.5
March	593.6	590.5	585.5	595.4
May	599.7	—	—	601.5

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
March	8.00	8.09	7.43	7.44
May	8.07	8.11	7.53	7.53
July	8.21	8.31	7.70	7.71
Sept	8.31	7.63	7.70	7.81
Oct	8.41	8.41	7.83	7.91

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lb

	Close	High	Low	Prev
Feb	59.02	59.32	58.80	59.02
April	59.60	59.95	59.43	59.57
June	58.07	58.00	57.42	58.05
Aug	57.00	57.20	56.80	57.02
Oct	56.05	56.85	55.40	56.07
Feb	56.20	56.20	56.10	56.00

LIVE HOGS 30,000 lbs, cents/lb

	Close	High	Low	Prev
Feb	48.40	48.55	48.15	48.32
April	43.65	44.00	43.55	43.75
June	45.87	46.00	45.65	45.67
July	45.95	46.07	45.65	45.67
Aug	43.85	44.20	43.65	43.60
Oct	40.75	40.75	40.45	40.55
April	38.30	38.30	—	38.25

PORK BELLIES 38,000 lbs, cents/lb

	Close	High	Low	Prev
Feb	64.90	65.55	64.35	65.00
March	63.60	64.35	63.20	63.52
May	63.97	64.45	63.45	63.82
July	62.60	63.00	62.15	62.30
Aug	61.00	61.00	60.35	60.45

MAIZE 5,000 bu min, cents/56 lb bushel

	Close	High	Low	Prev
March	159.4	159.4	158.4	159.2
May	165.6	165.6	164.2	164.6
July	169.6	169.6	168.2	168.6
Sept	173.0	173.2	171.4	171.4
Dec	176.6	177.4	175.2	175.4
March	184.2	184.6	183.0	183.0
May	186.6	187.0	185.6	185.4

SOYABEANS 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
March	500.2	501.6	495.6	497.0
May	500.0	501.0	495.0	497.6
July	499.6	501.0	495.0	496.6
Aug	498.0	498.4	495.0	497.0
Sept	486.0	487.4	483.4	487.0
Nov	484.6	485.0	479.4	484.4
Jan	491.2	491.2	487.4	491.0
March	498.4	498.4	495.4	499.0
May	501.4	501.4	—	502.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
March	141.8	143.1	141.6	143.2
May	140.5	141.7	140.4	141.9
July	140.0	141.5	140.0	141.7
Aug	139.5	141.0	139.5	141.6
Sept	139.1	140.8	139.0	141.5
Oct	138.7	140.5	138.0	141.0
Dec	139.1	141.3	138.8	142.0
Jan	139.1	143.0	139.1	143.0

SOYABEAN OIL 60,000 lbs, cents/lb

	Close	High	Low	Prev
March	16.97	17.05	16.38	16.48
May	17.30	17.33	16.68	16.78
July	17.52	17.54	16.90	17.00
Aug	17.50	17.50	16.90	16.95
Sept	17.25	17.25	16.85	16.85
Oct	17.27	17.30	16.70	16.74
Dec	17.30	17.35	16.70	16.75
Jan	17.20	17.20	17.00	16.70

WHEAT 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
March	291.0	292.0	286.2	286.4
May	271.6	272.2	268.2	267.6
July	253.0	253.2	250.0	250.2
Sept	252.6	253.4	250.6	250.4
Dec	258.6	259.6	256.6	256.4
March	291.0	292.0	286.2	286.4

SPOT PRICES—Chicago loose lard 15.00 (15.50) cents per pound. Handy and Harman silver bullion 550.5 (554.0) cents per troy ounce.

OIL

In very thin trade March Brent sold early on close to $18.40 but came off 15c after Nymex opened. March WTI opened 3c up on Nymex but traded 7c down at 1.30 pm EST. In the petroleum products market prompt gas oil was weak in thin trade following Thursday's activity. Gasoline prices continued to slip, underpinned only by some buying interest in the US. Naphtha was stable in thin trade. Fuel oil was sharply down but most traders were withdrawn — Petroleum Argus, London.

	Latest	Change + or −
CRUDE OIL—FOB($ per barrel)—Feb.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.00-17.15	+0.025
Brent Blend	18.45-18.50	−0.125
W.T.I. (1pm est)	18.65-18.75	—
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	173-176	−1
Gas Oil	162-164	−2
Heavy fuel oil	98-100	−12
Naphtha	160-163	—

GAS OIL FUTURES

Month	Yestrdy's close US $ per tonne	+ or −	Business Done
Feb.	163.25	+2.25	165.00-61.50
Mar.	159.75	+1.75	161.00-58.75
Apr.	154.00	+0.75	155.75-53.75
May	148.75	+0.75	149.50-48.75
June	147.00	−0.75	148.50-47.00

Turnover: 2,730 (5,716) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yesterday's close US $ per tonne	+ or −	Business Done
Feb.	101.00	—	—
Mar.	98.00	+2.00	—
Apr.	98.00	+5.00	—

Turnover: Nil (21) lots of 100 tonnes.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 93.38p per kg lw (−2.92). GB—Sheep 185.45p per kg est dcw (−12.61). GB—Pigs 71.49p per kg lw (−3.77).

WORLD STOCK MARKETS

NEW YORK

WALL STREET

Dow jumps another 39 in heavy trade

STOCKS continued to soar on Wall Street yesterday, when institutional demand provided most of the fuel. Traders said investors seemed determined not to miss out on the New Year rally that had stumbled temporarily on Wednesday.

By 1 pm the Dow Jones Industrial Average further advanced 38.81 to 2184.48, making a rise of 107.85 on the week, while the NYSE All Common index, at $159.06, rose $3.09 on the day and $6.85 on the week. Advances led declines by a two-to-one margin. Trading volume shot ahead to 199.18m shares, compared with 131.31m at 1 pm Thursday.

Thursday the industrial average posted its biggest one day gain in history with a rise of 51.60.

"This market is re-writing the record books, and everyone is saying its a once-in-a-lifetime phenomenon," trader William Schneider, of Kidder Peabody said.

Traders said foreign buying, particularly from Japan, played a role. They said the rally had a powerful momentum that kept attracting new buyers.

IBM gained $2⅛ to $129⅞ and Ford $1⅛ to $78⅞ as futures-related buy programmes fuelled Blue Chips.

Hewlett-Packard led the actives but declined $2⅞ to $50⅞ on adverse comments.

Upjohn jumped $7⅛ to $116—Food and Drug Administration staff document advise that Upjohn's controversial regain baldness drug be approved for marketing, although its effect is limited and it poses risks to individuals with heart disease and has some bizarre side-effects.

THE AMERICAN SE Market Value index put on 2.93 to a record 299.42, making a rise of 8.66 on the week.

Closing prices for North America were not available for this edition.

CANADA

Stocks again moved sharply higher in very active midsession trading following Thursday's buying blitz.

The Toronto Composite index, which bolted ahead 53 points Thursday to a new record high, was up another 27.0 to 3,326.1, with advances leading declines about three-to-two.

Banks, gaining new favour as domestic interest rates head lower, dominated actives.

Gulf Canada jumped another $1⅞ to $23⅛ on news of a corporate reorganisation.

HONG KONG

Sharply lower in active trading under pressure from a combination of technical factors and new concerns over political developments in China.

Brokers said investors were concerned that China's propaganda chief Zhu Houze will be dismissed soon as the country's political shake-up continues. Buying interest was low ahead of the Lunar New Year holiday next week and in the absence of bullish corporate news, they added.

The Hang Seng index lost 37.51 to 2,499.43 and the broader based Hong Kong index fell 22.33 to 1,600.90. Turnover HK$900.9m (HK$1.13bn).

Some "second liners" were actively traded. Evergo shed 2 cents to 88 cents — it announced a HK$1bn rights issue Thursday. But affiliate China Entertainment rose 45 cents to HK$8.15.

Properties were sharply lower.

TOKYO

The Nikkei Dow Market Average rose 76.10 to a record high 19,456.61 close in volatile trade following Wall Street's biggest single session advance plus anticipation of a cut in Japan's discount rate, brokers said.

After opening it surged 172 points in 22 minutes to 19,552.91, but concern over high prices set it back before it recovered again in the afternoon. Nevertheless, it still managed to set another record high.

Turnover was 1.2bn (same) shares.

The broad-based first section index shed 0.56 to 1,673.26, after rising 0.19 Thursday.

Massive buy orders sent Steel, Construction, Shipbuilding and other "Large Capitalisation" shares soaring in early trade, but the rapidity of gains urged caution and profit taking.

"Stock prices can't rise as quickly hereas on Wall Street because our P/E ratios are about 50, rather thal 17-18," said Nikko Securities' senior analyst Kunion Misaki.

Afternoon buying centred on Construction and Food shares.

Transport, Food, Construction, Oil, Airline and Textile issues closed higher. But Communications, Bank, Electrical, Precision, Fishery and Outo shares ended lower.

SINGAPORE

Share prices continued to drift lower in fairly moderate afternoon trading with buy orders scarce.

The Straits Times Industrial index shed 5.38 to 939.75 and the SE All Share index 1.85 to 284.94. Turnover 19.4m (28.7m) shares.

Brokers reported few new encouraging factors to stimulate activity and many local and foreign institutions continued to remain on the sidelines as some wary operators liquidated holdings to cause fairly sharp losses in several counters.

GERMANY

Last minute nervousness about the outcome of this Sunday's West German elections knocked leading share prices off their highs, but most finished firmer than Thursday's close in active business.

The Commerzbank index of 60 leading shares, fixed at mid-session, rose 6.9 to 1,912.3.

Thursday's package of Bundesbank monetary measures left markets with mixed feelings, with many traders saying it would not be strong enough to stabilise currency markets. They noted that the dollar continued to weaken.

Banks were the major exception to the firmer tone, easing slightly amid concern that the Bundesbank package would eventually squeeze interest margins.

AUSTRALIA

Interest in situation stocks and speculation of further takeover activity boosted trading on Australian share markets, which closed firm on high turnover.

A record one-day gain on Wall Street and firmer gold and oil prices improved sentiment generally, encouraging support for selected Gold, Oil and Industrial issues.

The All Ordinaries index rose 5.0 to 1,539.6 and the All Industrials was 12.7 up at 2,414.3. All Resources index slipped 1.0 to 876.6, while the Gold Index put on 7.7 to 1,996.7. National turnover was 124.8m shares worth A$203.9m, with rises outnumbering falls three-to-two.

Turnover was boosted by heavy trading in stocks such as North BH, BHP, CSR, and smaller mines. CSR finished 3 cents off at A$4.02 on turnover of 2.3m shares.

BHP firmed 2 cents to $A9.38—Thursday it announced plans to float off most of its gold interests. About 2.1m shares changed hands.

North BH shed 8 cents to A$2.60 and topped the volume list on 7.0m shares.

John Fairfax featured and continued to gain, finishing A$1.10 higher at a record A$13.50. Brokers said the stock may have been revalued following the A$1.1bn Packer-Bond deal, but takeover activity could not be ruled out.

The only other media stock to gain was Country Television Services, which put on 15 cents to A$3.65.

JOHANNESBURG

Gold shares lower as bullion faltered on international markets at US$404 an ounce, pulling down the All-Gold index.

The All-Gold index was lower at 2,068 (2,077) and the Overall index rose slightly to 2,129 (2,127).

Industrials were mostly steady.

CANADA

	Jan. 22	Jan. 21	Jan. 20	Jan. 19	Jan. 16	1986/87 High	1986/87 Low
Metals & Minerals	2212.6	2143.0	2165.5	2189.5	2199.2	2442.8 (21/5)	1917.4 (5.8)
Composite	3299.1	3246.4	3251.3	3274.7	3271.9	3299.1 (22/1/87)	2764.8 (17/2)
MONTREAL Portfolio	1673.7	1646.1	1644.4	1649.8	1648.64	1673.7 (22/1/87)	1386.6 22/1/86

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Philips Petr'm.	2,549,400	13	+ ¼	Hewlett-Packard	1,822,900	53⅛	+1
IBM	2,534,100	127⅜	+4⅜	General Motors	1,820,500	72⅝	+1⅜
Amer Tel & Tel	2,533,300	27⅛	+ ⅛	Salomon Inc.	1,746,900	39⅞	+ ⅛
Pepsico	2,123,000	31¾	+ ¼	Walt Disney	1,741,600	56	+2⅛
Navistar	1,924,700	6½	+ ⅛	Digital Equip.	1,666,100	146⅛	+6⅞

** Saturday January 17: Japan Nikkei (c), TSE (c).

Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors 10; and Toronto Composite and Metals—1,000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financial and 20 Transports. c Closed. u Unavailable.

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

FOREIGN EXCHANGES

Short covering helps dollar to firmer finish

THE DOLLAR finished slightly firmer compared with Thursday's closing levels in London, helped by short covering ahead of the weekend. However it was down from levels touched in Tokyo. The highs in the Far East reflected buying on a rumour that the US authorities had made some sort of agreement to intervene in currency markets to stop the dollar's decline.

Reaction in Europe was less than luke warm, with dealers unimpressed by the possibility of the Federal Reserve Board buying dollars. There appeared to be too many factors suggesting that this was a most unlikely move to be taken by the US authorities.

While the dollar finished on a firmer note, its overall sentiment remained bearish despite a larger than expected rise of 0.8 per cent in US personal income and a two point rise in consumer expenditure. The figures for income were distorted by seasonal factors however.

The dollar closed at DM 1.8255, down from a high of DM 1.8360 but up from DM 1.8135 on Thursday. Against the yen it rose to Y153.05 from Y151.85. Elsewhere the dollar finished at SFr 1.5370 from SFr 1.5225 and FFr 6.0950 compared with FFr 6.0550. On Bank of England figures, the dollar's exchange rate index rose from 104.0 to 104.3.

STERLING—Trading range against the dollar in 1986-87 is 1.5555 to 1.3700. *December average 1.4287.* Exchange rate index 68.9 against 68.5 at the opening and 69.1 on Thursday. The six months ago figure was 72.9.

Sterling finished above its worst level but still down from Thursday. The weaker trend at the start of the day appeared to reflect the findings of a recent opinion poll which showed the Labour Party ahead of the Conservative Party. With most dealers expecting a general election this year, sterling seemed vulnerable to the varying fortunes of political parties and for the time being economic statistics, unless politically sensitive such as next week's trade figures, seem likely to take a back seat.

The pound closed at $1.5230 down from $1.5325 and DM 2.7800 compared with *DM 2.7825*. It was also weaker against the Swiss franc at *SFr 2.34* from SFr 2.3350. It was slightly firmer against the French franc at FFr 9.2825 from FFr 9.28 and Y233.0 compared with Y232.75.

£ IN NEW YORK

Jan 23	Latest	Previous Close
£ Spot	1.5310-1.5320	1.5290-1.5300
1 month	0.56-0.53 pm	0.60-0.65 pm
3 months	1.79-1.74 pm	1.79-1.77 pm
12 months	6.35-6.25 pm	6.25-6.15 pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST THE POUND

Jan. 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5080-1.5295	1.5225-1.5235	0.67-0.64c pm	5.16	1.80-1.75 pm	4.66
Canada	2.0599-2.0767	2.0705-2.0715	0.60-0.50 c pm	3.19	1.62-1.47 pm	2.98
Netherlands	3.11¾-3.14	3.13-3.14	1⅝-1⅜ c pm	5.74	4⅛-4 pm	5.26
Belgium	57.64-57.9	57.80-57.90	11-6 c pm	1.76	40-31 pm	2.45
Denmark	10.49¾-10.55	10.52¾-10.53¾	1⅛ par pm	0.93	3⅛-1¼ pm	0.83
Ireland	1.0395-1.0485	1.0460-1.0470	0.16-0.34 p dis	−2.87	0.60-1.00dis	−3.06
W. Germany	2.75¾-2.78⅞	2.77½-2.78½	1¾-1½ pf pm	7.01	4⅝-4¼ pm	6.30
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

	£	$
Korea (Sth)	1305.95-1317.75	854.20-861.20
Kuwait	0.28120-0.28130	0.42810-0.42860
Luxembourg	57.80-57.90	37.75-37.85
Malaysia	3.8875-3.8975	2.5510-2.5530
N. Zealand	2.8260-2.8335	1.8545-1.8580
Saudi Ar.	5.7085-5.7130	3.7495-3.7500
Singapore	3.2575-3.2645	2.1400-2.1420
S. Af. (Cm)	3.1425-3.1620	2.0685-2.0725
S. Af. (Fn)	6.5560-6.8520	4.3010-4.4945
Taiwan	52.30-52.55	35.05-35.15
U.A.E.	5.5915-5.5965	3.6725-3.6735

* Selling rate.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

F Fr.	1.077	1.641	2.995	251.0	10.	2.922	3.377	2126.	2.231	62.32
S Fr.	0.427	0.651	1.188	99.57	3.967	1.	1.340	843.2	0.885	24.72
H Fl.	0.319	0.486	0.887	74.32	2.961	0.746	1.	629.3	0.661	18.45
Lira	0.507	0.772	1.406	118.1	4.705	1.186	1.589	1000.	1.050	29.32
C $	0.483	0.735	1.342	112.5	4.482	1.130	1.514	952.7	1.	27.93
B Fr.	1.729	2.633	4.806	402.8	16.05	4.045	5.419	3411.	3.580	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

MONEY MARKETS

UK rates slightly firmer

INTEREST RATES were slightly firmer where changed in London yesterday. Trading was lacklustre *ahead of the weekend, with Thursday's* cut in the West German discount rate having little effect. This was mainly a reflection of sentiment in London which suggested that a cut in UK interest rates in the near future remained unlikely. With the possibility of a general election this year and sterling's vulnerability to factors such as the dollar's performance, oil prices and a string of contradicting opinion polls, there seemed to be little likelihood of the authorities adding to the pound's fickle nature by cutting rates.

UK clearing bank base lending rate 11 per cent since October 15

Three-month interbank money was quoted at 11⅛-10$\frac{15}{16}$ per cent compared with 11-10⅞ per cent on Thursday while the one year rate rose to 10$\frac{13}{16}$-10$\frac{11}{16}$ per cent, compared with 10¾-10⅝ per cent. Weekend money opened at 11½-11¼ per cent and eased to 10½ per cent before finishing at 11 per cent.

The Bank of England forecast a shortage of around £1,050m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £449m and Exchequer transactions a further £300m. In addition, banks brought forward balances £65m *below* target and there was a rise in the note circulation of £245m.

To help alleviate the shortage, the Bank offered an early round of assistance which totalled £312m and comprised outright purchases of £4m of eligible bank bills in band 1 at 10⅞ per cent, £54m in band 2 at 10$\frac{13}{16}$ per cent and £45m in band 4 at 10$\frac{11}{16}$ per cent. In addition, the Bank also arranged sale and repurchase agreements on £209m of bills at 10$\frac{13}{16}$ per cent, unwinding on January 28.

The *forecast* was revised to a shortage of around £1,200m before taking into account the early help and the Bank gave additional assistance in the morning of £183m. £108m of this was through *outright purchases of £2m of* eligible bank bills in band 2 at 10$\frac{13}{16}$ per cent, £28m in band 3 at 10¾ per cent and £78m in band 4 at 10$\frac{11}{16}$ per cent. It also arranged sale and repurchase agreements on £75m of bills at 10$\frac{13}{16}$ per cent, unwinding on January 28.

A further revision in the forecast was made to a shortage of £1,100m and the Bank gave help in the afternoon of £505m through outright purchases of £323m of eligible bank bills in band 2 at 10$\frac{13}{16}$ per cent, £28m in band 3 at 10¾ per cent and £105m in band 4 at 10$\frac{11}{16}$ *per cent. It also arranged* sale and repurchase agreements on £51m of bills at 10$\frac{13}{16}$ per cent, unwinding on January 28. Late assistance came to £70m, making a total of £1,070m.

The average rate of discount rose by 0.0811 per cent at the weekly Treasury bill tender to 10.5423 per cent. The £100m of bills on offer attracted bids of £354m and all *bills offered were allotted.*

FT LONDON INTERBANK FIXING

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

Jan. 23	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.15-4.30	4.10-4.25	4.00-4.15	4.15-4.30	4.25-4.40	5.0

LONDON MONEY RATES

Gilts steady as equities reach new peak

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jan 12	Jan 22	Jan 23	Feb 2
Jan 26	Feb 5	Feb 6	Feb 16
Feb 9	Feb 19	Feb 20	Mar 2

* New time dealings may take place from 9.00 am two business days earlier.

The UK equity market surged towards new peaks yesterday as the continued strength of Wall Street inspired powerful gains in the multinational stocks. Gilt-edged, while sharply easier at first after publication of an opinion poll unfavourable to the Thatcher Government, rallied robustly and were edging higher at the close.

Share prices opened higher but the initial mark-ups were relatively cautious by comparison with Wall Street's overnight surge. The running was quickly taken up by a batch of the international blue chips, and the market rose strongly in heavy, if somewhat selective, trading.

The traditional pause for consolidation ahead of Wall Street's opening was quickly followed by renewed strength when the Dow came in with a fresh burst of strength.

The FT-SE 100 index gained 17.8 to a new closing all-time peak of 1795.3, a shade below the day's best.

The FT ordinary index jumped 21.8 to 1425.9, exactly matching the previous all-time high reached on April 3 last year.

Confidence was helped by the success of two major share placings. Argyll, having backed off from suggestions of a merger with Guinness, placed £681m in new shares as payment for Safeway Food Stores; while the chairman of International Signal placed £25m worth of his company stock with institutions.

Wall Street's performance brought the US buyers in for most of the recently-favoured names. Another dramatic gain took Glaxo to new heights — the shares have risen nearly 30 per cent since September. Driving Glaxo higher *this week has been the disclosure* that Zantac, its wonder drug, has increased its share of the US market to 51 per cent — dismissing hints that sales had peaked.

US buyers are active because Glaxo plans a major presentation to New York analysts on February 24, when it is expected to unveil a host of new drug products. Overseas brokers are busy upgrading profit forecasts for Glaxo — Nomura Securities now expects earnings of £886m, for the year to June, and £1.1bn in the following year.

The US buyer of Cadbury-Schweppes was active again. Saatchi & Saatchi chalked up another strong gain as at least two US houses bought aggressively. Domestic buyers *concentrated on* Boots, whose pharmaceutical interests are believed to have been overlooked.

Among the industrials, Imperial Chemical Industries were again a major beneficiary from the strength of the German mark. Jaguar and Racal were bought strongly from the US.

Gilts opened a full point down after the latest opinion poll gave Labour a 5 per cent lead over the Conservatives. But stock was bought at these levels, and prices recovered steadily throughout the session. A late rally in the pound helped, and some quarters claimed that this weekend would bring new poll findings more favourable to the Government. By the close, prices had fully recovered early falls and were showing minor gains on the session.

Merchant Banks improve

Merchant Banks took Thursday's recovery a tentative stage further although conditions in the sector were again described as sensitive. Morgan Grenfell hardened 3 to 408p; news of the latest board appointments came too late to *affect sentiment.*

The major clearers were marked higher at the outset, but generally eased back in the absence of follow-through support to close little changed on balance. Elsewhere, Chancery Securities attracted speculative demand and gained 25 to 181p.

Composite Insurances registered moderate gains. Royals moved up 11 to 889p, while GRE firmed 4 to 829p. Commercial Union added 3 to 291p and Sun Alliance 4 to 707p. Still reflecting the proposed acquisition of stockbrokers Wise Speke, *Sturge gained 10 more to* 489p.

The Argyll statement that it had "no intention whatsoever" of bidding for Guinness knocked a few pence off the price at *277p.* Vaux were dull at 507p despite Panmure Gordon's rating of a strong recovery situation. Bass, on the other hand, gained 13 further to 780p.

The undertone in the Building sector was firm, but gains were generally modest. Blue Circle, a sound market of late as Adelaide Steamship of Australia reduced its holding, managed a token rise of 5 at 688p, while Rugby Portland Cement added 1 to 196p. RMC moved up in a market short of stock to close 17 higher at 751p; the company yesterday revealed the terms of its eagerly anticipated offer for Wettern Brothers, but the price—150p per share cash—was some way below recent estimates and the Wettern Brothers share price reacted from Thursday's level of 173p to close some 25 down at 148p. Elsewhere, Wiggins continued to reflect the good interim results and restoration of dividend with a fresh gain of 15 to 180p, while Ward Holdings, anticipating results due *soon, advanced 42 to 362p in a* restricted market.

Wall Street influences governed sentiment in ICI, finally $\frac{3}{16}$ up at £12$\frac{3}{16}$; the annual results are due on February 26. Acquisition news boosted Wardle Storeys which rose 15 to 398p.

Investors continued to shun leading retailers. The sector had only one good feature, Coats Viyella trading actively and rising 21 to 549p on advice from several brokers of considerable longer-term investment potential. Recommendations for other stocks were generally ignored. Burton came back 5 to 250p awaiting the circular on the executive share option scheme, closing at 256p.

Oxford Instruments reacted 8 to 423p in the late dealing on news that company had concluded that the proposed merger with UEI would not be in the best interests of the company, its employees or shareholders. UEI rose 108 to 370p. Elsewhere in the Electrical sector, International Signal closed 6 down at 268 as some 9½m shares were sold on behalf of Mr James Guerin, the executive chairman. Lower interim profits induced weakness in Louis Newmark which fell 30 to 258p in a limited market. On the other hand, gains of around 12 were recorded in Electrocomponents, 450p Kode, 275p, and Logica 247p. BSR reflecting the sale of its stake in Tenby, put on 4 more to 115p, while Micregen continued to *edge higher after preliminary* figures and gained 8 more to 465p. Among the leaders, confirmation of an indefinite strike by its engineering workers prompted dullness in BT which eased 1½ to 218p. In contrast, Thorn EMI, a good market earlier in the week on an upgraded profits forecast from Barclays de Zoete Wedd, firmed 18 more to 564p on news of the *company's proposal to sell its London* head office building.

Leading Engineers traded relatively quietly, but Hawker improved 4½ to 515p and Vickers rose 5 to 448p. Elsewhere, Braithwaite featured a fresh rise of 39 to 249p on expansion hopes in the wake of Extracharm's increased holding announced on Thursday. In marked contrast, MS International weakened further to close15 down at 70p following comment on the poor preliminary figures. Meggitt, however attracted buyers and put on 10 to 154p, while Concentric, *still responding to* Press mention, firmed 4 more to 237p. Woodhouse and Rixson, helped by traditional option demand, improved 4 to 79p.

The early attention in Food Retailers focused on Argyll Group as the company confirmed its intention to acquire the Safeway Stores chain of supermarkets for some £680m via the issue of 194m new Argyll shares to raise £621m and an interest free 3 year loan note to make up the difference; the new shares were smoothly placed at the stated price of 320p per share in less than an hour and the Argyll share price moved ahead from Thursday's closing level of 341p to close 25 higher on the day at 366p; sentiment was also helped by the company's statement that it had no intention of launching a bid for Guinness.

Confectionery issues, never far from the limelight in recent days, staged another bright performance. Bid rumours continued to swirl around Cadbury Schweppes which enjoyed another useful trade with another 10m shares changing hands and an eventual close of 12 higher at 227p. Rowntree Mackintosh attracted sympathetic support and rose 10 to 466p. Tate and Lyle closed a shade firmer at 631p following *first-quarter figures from its* Redpath Industries subsdiary, but S. & W. Berisford, still worried that potential bids from Tate and Ferruzzi of Italy could be blocked by the Monopolies Commission, eased to 247p, before closing unchanged at 249p. Booker revived with a gain of 7 at 375p, while Freshbake put on 9 to 139p. A. G. Barr advanced 42 to 412p in a restricted market following Press comment.

Big trade in Boots

A big trade developed in Boots (some 24m shares changed hands) as reports filtered through to the market of an article in a US magazine concerning new drug developments; the shares moved ahead on both American and domestic demand to settle 9 higher at 256p. Other international stocks were also well to the fore, with Glaxo advancing ½ further to £12⅝ and Wellcome 12 to 292p. BOC, first quarter figures due next month, continued to make progress and put on 11½ further to 403p amid talk that the company has found a buyer for its carbon division. Elsewhere in the miscellaneous industrial sector, Forthergill and Harvey advanced 20 to 268p as Courtauld's unwelcome bid escaped referral to the Monopolies Commission. Rank Organisation, *scheduled to reveal* preliminary results next Thursday, continued to make progress and put on 8 further to 585p. Stainless Metalcraft responded to Press mention with a gain of 12 at 200p, while Fisons, the subject of an investment recommendation from Barclays de Zoete Wedd, put on 7 more to 598p. *Demand* persisted for Siebe, up 13 further at 843p, and *Pentland Industries,* 15 *higher* at 540p. Redfearn National Glass continued to draw encouragement from the chairman's annual statement and improved 8 more to 398p. In contrast, comment on the preliminary figures left Hodgson 5 cheaper at 191p.

Press comment suggesting that advertising growth prospects were set to improve gave fresh impetus to an already buoyant TV sector. Once again, gains stretched into double figures with LWT leading the field with a close of 17 higher at 612p. TV-am registered a similar gain at 282p, while Thames TV weighed in with a rise of 27 at 389p. Yorkshire moved up 19 to 241p and Scottish 12 to 380p, while Anglia TV, after a hiccup earlier in the week on news of a £8.5m rights issue, regained composure and closed 21 higher at 410p. Against the trend, Border TV shed 5 to 58p reflecting the cautious statement that accompanied the interim results.

Domestic institutional buying gave Lucas Industries a fillip to 543p, up 23, while revived American inquiry helped Jaguar put on 14 to 580p. AE managed a small rise to 301 but Dowty, 241p, eased on suggestions that the shares were fully valued after Thursday's interim profits' performance. Kwik-Fit continued to enjoy demand and closed 5 hgher for a five-day gain of 12 to 118p. The upturn among Distributors was led by Lex Service, well-supported *and 15 higher at 334p* while T. Cowie recovered 6 to 243p.

A strong "buy" recommendation from Kleinwort Grieveson Securities underpinned United Newspapers, 8 dearer at 456p, but Associated stagnated at 483p after performing well earlier in the week. Bristol Evening Post improved while demand in thin markets raised Octopus Publishing 45 to 595p and Trinity International 14 to 525p. Further scpeculation of a minority bid from Sun Chemical, owner of some 80 per cent of the company's shares, pushed Ault and Wiborg up 14 more to 105p, while Jefferson Smurfit gained 22 to 405 following the preliminary statement. Brunning rose 15 to 185p despite the first-half loss, which *reflects the group's trading position* prior to the new management taking control. BPCC were unable to hold Thursday's strength stemming from a broker's "buy" signal and closed 5 easier at 266p.

Aggressive US interest put Saatchi and Saatchi up 57 to 797p — Pru-Bache rates the stock a good purchase—and other Adevrtising Agencies followed nthe movement. Recently-beleaguered Charles Barker rallied smartly, settling 18 higher at 136p and WCRS rose 20 to 625p.

A report that the company was *close to selling Folkestone Harbour* and part of its Sealink cross-channel fleet caused Sea Containers to rise 37 to 982p. P&O jumped 15 to 568p.

Renewed buying interest exerted a fresh squeeze on marketmakers' book positions and the price of Courtaulds responded by jumping 14 to 368p. News that the group was negotiating the acquisition of a US concern for cash encouraged revived demand for John Crowther, 12 higher at 178p, while Dawson International firmed 6 further to 269p.

Mercantile House gave up 4 more at 381p as some holders became nervous of the Laing and Cruickshank—a subsidiary of the group—mention in the Guinness affair.

Oils edged higher

Gains in the Oil sector were relatively modest given Wall Street's strong performance overnight and the fresh advance in early dealings yesterday. Shell, however, a resilent market all week, attracted reasonable demand and closed higher at £10⅛, *while* British Petroleum *rallied* 16 to 784p. Ultramar picked up 7 at 177p, while IC Gas, a weak market in recent days on Gulf Resources' decision to withdraw its proposed *offer for the company,* edged up 3 to 590p. News that Premier Consolidated had sold its near 11 per cent holding in Goal Petroleum to Kleinwort Grievson Securities excited the latter which gained 7 to 60p.

Polly Peck ran into late speculative buying and ended 9 better at 157p.

A disappointing fall of $6¾ to $403 in the bullion price undermined a promising start in the gold share market, and by the end of the session, prices were shading easier. But turnover was "less than minimal," as one dealer put it, and many prices were hardly tested. The market is clearly waiting to see how the US dollar settles down in the wake of the cut in *German rates,* and possibly a future cut in Japanese rates.

The final minutes of the session saw some producer issues steadying. Among the day's more active issues, Driefontein closed unchanged on the day, as also did Vaal Reefs.

Activity in Traded Options waned a little further with 40,366 contracts completed compared with the previous day's total of 43,342. BOC were noteworthy, recording 3,015 calls and 482 puts, while Cadbury Schweppes, still reflecting US takeover talk, attracted 2,304 calls and 421 puts. British Gas were again to the fore with 2,350 calls and 65 puts.

FINANCIAL TIMES STOCK INDICES

	Jan. 23	Jan. 22	Jan. 21	Jan. 20	Jan. 19	Year ago	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs	85.63	85.74	85.80	85.53	85.51	80.74	94.51	80.39	127.4	49.18
Fixed Interest	91.61	91.78	91.71	91.65	91.66	86.78	97.68	86.55	105.4	50.53
Ordinary ♥	1,425.9	1,404.1	1,386.7	1,399.0	1,397.0	1,126.2	1425.9	1,094.3	1,425.9	49.4
Gold Mines	322.7	323.8	328.0	335.4	335.2	327.5	337.8	185.7	734.7	43.5
Ord. Div. Yield	4.00	4.07	4.12	4.09	4.10	4.57				
Earnings Yld.% (full)	9.37	9.54	9.66	9.59	9.61	10.71				
P/E Ratio (net) (*)	13.08	12.84	12.68	12.78	12.75	11.59				
SEAQ Bargains (5 pm)	43,119	36,534	34,066	38,294	43,435	—				
Equity Turnover (£m)	—	1,538.28	1,184.17	1,244.47	1,190.85	658.60				
Equity Bargains	—	43,569	45,651	50,127	58,553	27,868				
Shares Traded (ml)	—	560.8	441.7	482.9	525.1	323.1				

♥ Opening 1408.7 · 10 a.m. 1408.4 · 11 a.m. 1415.0 · Noon 1416.1 · 1 p.m. 1416.5 · 2 p.m. 1417.0 · 3 p.m. 1420.1 · 4 p.m. 1424.8

Day's High 1425.9. Day's Low 1405.8

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, †Corrected *Nil=12.60.

S.E. ACTIVITY

Indices	Jan. 22	Jan. 21
Gilt Edged Bargains	161.6	148.9
Equity Bargains	282.9	295.8
Equity Value	3109.27	2993.5
5-Day Average		
Gilt Edged Bargains	145.0	132.7
Equity Bargains	326.5	329.3
Equity Value	2795.5	2713.1

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls Jly.	Calls Oct.	Puts Apr.	Puts July	Puts Oct.
Allied Lyons (*342)	280	73	80	—	2	3	—
	300	55	63	70	2½	8	11
	330	35	40	45	11	17	20
	360	12	20	27	27	38	35

Option		Calls Feb.	Calls May.	Calls Aug.	Puts Feb.	Puts May.	Puts Aug.
Ladbroke (*397)	330	73	80	90	0½	2	3
	360	44	53	65	1½	5	8
	390	18	32	43	8	14	18
	420	6	17	28	28	35	38

Traditional Options

- First dealings Jan 19 Feb 2 Feb 16
- Last dealings Jan 30 Feb 13 Feb 27
- Last declaration Apr 23 May 7 May 28
- For Settlement May 5 May 18 June 8

For rate indications see end of Unit Trust Service

Stocks favoured for the call included TSB, Mellerware, J. Israel, Pentland Industries, Armour Trust, Eglinton, Steckley, Norfolk Capital, Amstrad, Wellcome, Endeavour Resources, Burndene, Sovereign Oil and Gas, London and Northern, Jefferson Smurfit, Dominion International, Pavion, Hawley, Border TV, Ward Holdings, Brent Walker, Tricentrol, Owners Abroad and Woodhouse and Rixson. A put was arranged in Burndene, while double options were transacted in Border TV, C. H. Beazer, Norfolk Capital, and Grenwich Resources.

NEW HIGHS AND LOWS FOR 1986-87

NEW HIGHS (260)

BRITISH FUNDS (3), AMERICANS (4), CANADIANS (4), BANKS (4), BREWERS (2), BUILDINGS (24), CHEMICALS (7), STORES (10), ELECTRICALS (16), ENGINEERING (13), FOODS (13), HOTELS (4), INDUSTRIALS (42), INSURANCE (5), LEISURE (15), MOTORS (8), NEWSPAPERS (4), PAPER (9), PROPERTY (12), TEXTILES (5), TRUSTS (53), OILS (5), OVERSEAS TRADERS (2), PLANTATIONS (1), MINES (5).

NEW LOWS (3)

BREWERS (1) Invergordon; ELECTRICALS (1) Datrong; INDUSTRIALS (1) Beaverco.

LONDON STOCK EXCHANGE

DEALINGS

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Details otherwise indicated, denominations are 25p and prices are in pence. The prices are those at which the business was done in the 24 hours up to 1.30pm on Thursday and settled through the Stock Exchange Talisman system; they are not in order of execution but in ascending order which denotes the day's highest and lowest dealing prices.

For those securities in which no business was recorded in Thursday's Official List, the latest recorded business in the four previous days is given with the relevant date.

‡ Bargains at special prices. ⊕ Bargains done the previous day. Δ Bargains done with non-member or executed in overseas markets.

CORPORATION & COUNTY

Gtr London Cncl 6¼pc 1990-92 £83½ 4 ½
Barnet Cpn 12¼pc 1987 £100¼⊕ ½⊕
Bristol (City) 11½pc 2008 £106½ (19/1)
Glasgow Cpn 3½pcIrrd £25 (21/1)
Hull Cpn 3½pcStk (1st Iss) £25 (19/1)
Manchester Cpn 4pcConsIrrd £33
Newcastle-Upon-Tyne (City) 11¼pc 2017 £104¼ (21/1)
Salford Cpn 5½pc 1986-68 £92 (21/1)
Southend-on-Sea Borough Cncl 12pc 1987 £100¼⊕ ½⊕
Southwark Cpn 12½pc 1987 £100⅝ (20/1)
Local Authy 9¼ Bds 5/8/7 £99⅞ (16/1)

UK PUBLIC BOARDS

Agricultural Mort Cpn 5½pcDb 1993-95 £70¼ (20/1). 6pcDb ... £95½ ...

Albright Wilson 7¼pcDb 1985-90 £86 (19/1)
Alcan Aluminium £20⅝
Alexanders Hldgs A (10p) 14½ (19/1). 9½pcPf (£1) 65
Allied Textile Companies 10pcLn 1993 £220 (21/1)
Amari 8pcPf (£1) 98
Amber Day Hldgs 10½pcPf 1999-2002 (£1) 159
American Brands ($3.125) £30⅝ ¾ (21/1)
Anglo Nordic Hldgs 11.5pcPf (£1) 105 8 (19/1)
Arcoelectric (Hldgs) (5p) 55
Argyll Wrnts 230
Arlen 11¼pcLn 1990 £100 (18/1)
Armitage Shanks 10pcLn 1989-94 £94⊕
Armstrong Equipment 6½pcPf (£1) 58 (21/1)
ASDA-MFI 8½pc... (£1) 120

[The remaining dealings columns (Foreign Stocks, Sterling Issues by Overseas Borrowers, Banks, Discount, Breweries, Commercial, Industrial A–Z, Financial Trusts, Insurance, Investment Trusts, Unit Trusts, Mines, Oil, Property, Plantations, Railways, Shipping, Utilities, Waterworks, Special List) are illegible at this scan resolution.]

UNLISTED SECURITIES MARKET

Avesco (1p) (Reg) (Ex Rts) 69 71 ½. New (1p) (fp/pal 30/1/87) 71⊕

Tandem Resources 60 (16/1)
Target Petroleum Ord 280 28½‡
Target Petroleum (A$0.15) 13½
Tri-Basin Resources 57 (19/1)

RULE 535 (2)

Applications granted for specific bargains in securities not listed on any exchange

Abelscot (2½p) 180 1 (19/1)
Adnams B (£1) 16 (19/1)
Airship Inds (12½p) 28 9
Barbican Hldgs (1p) 3¼
Cambridge Instruments (5p) 140 6 (20/1)
Corton Beach (10p) 54 7 (21/1)
Cresta (10p) 55 8 (20/1)
Explaura Hldgs (5p) 18½

RULE 535 (3)

Dealings for approved companies engaged solely in mineral exploration

Andaman Res (10p) 76 7
Kenmare Oil Exploration (Ir£0.25) 22½ (21/1)
North West Oil Gas (20p) 27 ½ 8

(By permission of The Stock Exchange Council)

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	9,200	341	−3	Ladbroke	478	397	+1
Allied Lyons	483	341	−1	Land Securities	1,500	343	+1
BAT	4,000	494	—	Legal & Gen.	1,800	267	−2
BET	200	488	+2	Lloyds Bank	1,800	497	+4
BOC	7,000	405	+13	Lonrho	775	259	+1
BTR	4,000	278	—	Marks & Spncr	3,800	197	+2
Barclays	567	534	−1	Midland Bank	751	604	+4
Bass	856	780	+13	NatWest Bank	1,300	584	+2
Beecham	2,600	464	+4	Pearson	90	576	—
Blue Circle	132	688	+5	P & O	1,800	568	+15
Boots	24,000	256	+9	Pilkington Bros	2,000	673	+2
Brit. Aero	1,500	588	+10	Plessey	5,000	207	+3
Brit. Gas	35,000	71	+¼	Prudential	228	834	+1
Britoil	1,500	189	+1	Racal	10,000	202	+9
BP	3,900	784	+16	Rank Org	521	585	+8
Brit. Telecom	4,800	218	−1½	Reckitt & Col	270	919	+15
Burton	8,300	250	−5	Reuters	588	592	—
Cable & Wire	2,500	353	+4	RTZ	999	749	−4
Cadbury Schwps	11,000	227	+12	Rowntree Mac	1,400	466	+10
Coats Viyella	1,290	549	+21	Royal Insurance	1,200	889	+11
Comm. Union	2,700	291	+3	STC	1,700	193	+2
Cons. Gold	1,000	749	−1	Sainsbury	1,600	439	−1
Courtaulds	3,450	368	+14	Sears	6,200	124½	—
Dee Corp	4,800	228	−1	Sedgwick	248	333	−1
Dixons Grp	2,900	315	+2	Shell Trans	2,010	£10⅞	+¼
Fisons	763	598	+7	Smith & Nephew	1,500	137	+2
Gen. Accident	407	864	+6	Standard Chart	661	784	+5
Gen. Elect	3,600	199	+4	Storehouse	1,100	272	+2
Glaxo	4,775	£12⅞	+½	Sun Alliance	401	707	+4
Grand Met	4,700	468	+6	TSB	8,766	81	+1½
Gus "A"	219	£11⅛	+⅛	Tesco	5,400	435	−4
Guardian R.E.	1,500	829	+4	Thorn EMI	2,900	564	+18
GKN	1,200	302	+2	Trafalgar House	833	298	+2
Guinness	7,100	277	−3	T'house Forte	4,900	199	+6
Hanson Trust	11,000	195	+1½	Unilever	133	£22⅛	+⅛
Hawker Sidd	997	515	+18	United Biscuits	2,908	257	+1
ICI	1,900	£12⅛	+⅛	Wellcome	5,000	292	+12
Jaguar	1,090	580	+14	Woolworth	263	701	+3

LEADERS AND LAGGARDS

Percentage changes since December 31 1986 based on Thursday January 22 1987

Publishing and Printing	+14.76	Shipping and Transport	+ 6.48
Textiles	+12.49	Consumer Group	+ 6.47
Packaging and Paper	+12.28	500 Share Index	+ 6.36
Metals and Metal Forming	+11.05	All-Share Index	+ 6.16
Health and H'sehold Products	+10.60	Insurance (Composite)	+ 6.13
Chemicals	+10.04	Overseas Trading	+ 5.85
Merchant Banks	+ 9.88	Building Materials	+ 5.65
Mechanical Engineering	+ 9.21	Other Groups	+ 5.58
Contracting, Construction	+ 8.88	Oil and Gas	+ 5.49
Mining Finance	+ 8.72	Financial Group	+ 5.46
Gold Mines Index	+ 8.58	Food Manufacturing	+ 4.92
Leisure	+ 8.54	Banks	+ 4.77
Electricals	+ 8.23	Food Retailing	+ 4.72
Electronics	+ 7.83	Investment Trusts	+ 4.59
Motors	+ 7.71	Insurance (Life)	+ 4.44
Capital Goods	+ 7.61	Stores	+ 3.11
Insurance Brokers	+ 7.50	Conglomerates	+ 2.76
Agencies	+ 7.02	Brewers and Distillers	+ 2.53
Other Industrial Materials	+ 6.59	Telephone Networks	+ 2.53
Industrial Group	+ 6.51	Property	+ 2.53

RISES AND FALLS ON THE WEEK

	Yesterday Rises	Yesterday Falls	Yesterday Same	On the week Rises	On the week Falls	On the week Same
British Funds	73	29	10	331	185	47
Corporations, Dom. and Foreign Bonds	0	0	70	14	0	336
Industrials	624	372	556	2,435	2,386	2,843
Financial and Props.	228	112	244	838	855	1,227
Oils	40	21	52	128	195	242
Plantations	4	2	8	12	17	41
Mines	47	50	86	246	300	369
Others	126	6	53	334	330	268
Totals	1,142	592	1,059	4,538	4,268	5,373

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Friday January 23 1987

Figures in parentheses show number of stocks per section

		Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Thurs Jan 22 Index No.	Wed Jan 21 Index No.	Tues Jan 20 Index No.	Year ago (approx.) Index No.	1986/87 High		1986/87 Low		Since Compilation High		Since Compilation Low	
1	CAPITAL GOODS (209)	758.86	+1.2	8.32	3.48	15.23	0.13	749.76	745.28	750.79	573.45	758.86	23/1/87	567.56	14/1/86	758.86	23/1/87	50.71	13/12/74
2	Building Materials (27)	919.58	+0.7	8.51	3.54	14.75	0.40	913.34	907.09	918.75	616.65	921.82	16/1/87	613.85	23/1/86	921.82	16/1/87	44.27	11/12/74
3	Contracting, Construction (28)	1381.67	+0.8	7.37	3.60	18.65	0.34	1291.13	1278.36	1284.63	911.34	1381.67	23/1/87	911.08	23/1/86	1381.67	23/1/87	71.48	2/12/74
4	Electricals (12)	1927.22	+0.5	7.82	4.37	16.42	0.00	1918.10	1913.47	1922.56	1575.98	2092.98	21/4/86	1550.81	2/1/86	2092.98	21/4/86	84.71	25/6/62
5	Electronics (38)	1699.48	+2.1	8.43	2.42	15.74	0.00	1664.61	1647.80	1656.63	1387.58	1794.13	30/4/86	1365.94	29/9/86	2049.05	13/11/84	1229.01	8/10/85
6	Mechanical Engineering (61)	435.63	+1.3	9.13	3.81	13.94	0.13	430.12	427.95	430.49	321.13	435.63	23/1/87	316.63	23/1/86	435.63	23/1/87	45.43	5/1/75
8	Metals and Metal Forming (7)	397.09	+0.5	9.21	3.74	13.19	0.00	395.30	392.67	401.66	255.80	403.04	16/1/87	241.87	2/1/86	403.04	16/1/87	49.65	6/1/75
9	Motors (15)	301.34	+2.7	9.13	3.48	12.63	0.00	293.32	291.21	291.87	219.96	322.48	3/7/86	206.50	14/1/86	322.48	3/7/86	19.91	6/1/75
10	Other Industrial Materials (21)	1261.28	+0.3	7.18	4.36	16.62	0.09	1257.27	1259.99	1281.21	1054.57	1347.13	3/4/86	993.49	21/1/86	1347.13	3/4/86	277.55	15/1/81
21	CONSUMER GROUP (186)	1025.76	+1.3	7.16	3.08	17.93	0.39	1012.35	999.68	1009.83	754.75	1025.76	23/1/87	739.82	14/1/86	1025.76	23/1/87	61.41	13/12/74
22	Brewers and Distillers (22)	967.66	+0.6	8.78	3.58	14.30	0.00	961.73	945.01	945.25	778.91	989.51	30/6/86	764.25	14/1/86	989.31	30/6/86	69.47	13/12/74
25	Food Manufacturing (25)	784.66	+1.3	8.48	3.58	15.45	1.02	774.66	765.97	776.39	557.84	784.66	23/1/87	549.51	14/1/86	784.66	23/1/87	59.67	11/12/74
26	Food Retailing (16)	1967.32	−0.1	6.84	2.74	20.32	1.94	1969.87	1958.07	1982.71	1650.74	2015.98	9/9/86	1629.03	21/1/86	2015.98	9/9/86	54.25	11/12/74
27	Health and Household Products (10)	1877.78	+2.9	5.66	2.02	22.92	0.00	1824.67	1792.71	1774.14	1263.32	1877.78	23/1/87	1175.61	14/1/86	1877.78	23/1/87	175.38	28/5/80
29	Leisure (31)	1092.39	+2.0	7.08	3.80	18.32	0.25	1070.60	1056.05	1059.77	731.17	1092.39	23/1/87	731.17	24/1/86	1092.39	23/1/87	54.83	9/1/75
31	Packaging & Paper (14)	556.41	+0.8	6.39	3.01	20.33	0.18	551.86	547.50	542.63	364.50	556.41	23/1/87	362.52	9/1/86	556.41	23/1/87	43.46	6/1/75
32	Publishing & Printing (14)	3134.32	+0.7	6.31	3.64	20.45	3.41	3113.93	3065.58	3006.84	1855.61	3134.32	23/1/87	1894.16	9/1/86	3134.32	23/1/87	55.08	6/1/75
34	Stores (37)	867.75	+0.8	7.37	3.11	18.45	0.01	861.15	857.19	884.09	713.90	984.64	3/4/86	707.79	23/1/86	984.64	3/4/86	52.63	6/1/75
35	Textiles (17)	628.02	+3.1	8.40	3.27	13.70	0.00	608.99	593.39	601.28	416.72	628.02	23/1/87	375.50	14/1/86	628.02	23/1/87	62.66	11/12/74
40	OTHER GROUPS (87)	872.63	+0.7	8.70	3.77	14.30	0.06	866.86	859.37	867.87	701.44	881.50	15/1/87	696.16	21/1/86	881.50	15/1/87	58.63	6/1/75
41	Agencies (17)	1212.93	+1.7	4.73	1.81	28.80	0.00	1192.24	1189.81	1194.77	0.00	1212.93	23/1/87	1111.16	2/1/87	1212.93	23/1/87	1111.16	2/1/87
42	Chemicals (21)	1127.75	+1.6	7.88	3.74	15.47	0.22	1110.18	1104.36	1111.93	760.88	1127.75	23/1/87	729.24	14/1/86	1127.75	23/1/87	71.20	1/12/74
43	Conglomerates (13)	1151.80	+0.6	7.49	3.79	15.83	0.15	1144.84	1147.31	1179.32	0.00	1193.47	15/1/87	1112.14	2/1/87	1193.47	15/1/87	1112.14	2/1/87
45	Shipping and Transport (10)	1703.33	+1.8	6.19	4.39	20.40	0.00	1672.79	1657.08	1663.24	1339.40	1703.33	23/1/87	1316.35	14/1/86	1703.33	23/1/87	90.80	29/6/62
47	Telephone Networks (2)	872.96	−0.3	10.71	4.41	12.73	0.00	875.54	863.48	868.24	848.39	1050.03	4/4/86	712.14	3/10/86	1050.03	4/4/86	517.92	30/11/84
48	Miscellaneous (24)	1197.92	+0.4	10.06	3.45	11.28	0.00	1193.55	1174.49	1185.34	871.24	1213.74	15/1/87	866.26	9/1/86	1213.74	15/1/87	60.39	6/7/75
49	INDUSTRIAL GROUP (482)	926.71	+1.1	7.87	3.37	16.10	0.22	916.46	907.47	915.65	701.40	926.71	23/1/87	691.89	14/1/86	926.71	23/1/87	59.01	13/12/74
51	Oil & Gas (18)	1622.23	+1.8	10.49	5.58	12.05	0.00	1594.30	1591.05	1604.34	1139.13	1631.20	15/1/87	1093.63	20/2/86	1631.20	15/1/87	87.23	29/5/62
59	500 SHARE INDEX (500)	985.66	+1.2	8.25	3.69	15.35	0.20	973.83	965.38	973.98	738.85	985.66	23/1/87	727.53	14/1/86	985.66	23/1/87	63.49	13/12/74
61	FINANCIAL GROUP (117)	651.67	+0.4	—	4.31	—	0.10	649.39	645.41	652.19	508.60	656.46	16/1/87	507.50	14/1/86	656.46	16/1/87	55.88	13/12/74
62	Banks (8)	727.37	+0.4	17.34	5.05	7.91	0.00	724.13	718.69	731.76	518.08	738.91	16/1/87	517.21	5/2/86	738.91	16/1/87	62.44	12/12/74
65	Insurance (Life) (9)	908.56	+0.1	—	4.27	—	0.00	907.81	903.34	910.08	766.93	916.58	16/1/87	765.18	23/1/86	916.58	16/1/87	44.88	2/1/75
66	Insurance (Composite) (7)	488.51	+0.8	—	4.44	—	0.00	484.50	479.05	480.58	407.58	525.13	14/4/86	403.56	2/1/86	525.13	14/4/86	43.96	13/12/74
67	Insurance (Brokers) (9)	1212.18	+0.2	7.80	4.37	16.50	0.97	1210.16	1205.12	1206.38	1232.27	1315.27	12/2/86	1139.12	30/12/86	1315.27	12/2/86	65.86	16/12/74
68	Merchant Banks (11)	381.14	+0.3	—	3.82	—	0.00	380.83	377.37	384.80	277.36	390.44	16/1/87	277.36	24/1/86	390.44	16/1/87	31.21	7/1/75
69	Property (47)	827.88	+0.1	5.77	3.54	22.55	0.00	827.12	828.55	833.19	640.46	833.19	20/1/87	635.84	23/1/86	833.19	20/1/87	56.01	20/4/65
70	Other Financial (25)	402.75	+0.2	7.51	3.78	16.78	0.48	401.79	398.10	401.15	287.55	402.75	23/1/87	287.55	24/1/86	402.75	23/1/87	33.29	17/12/74
71	Investment Trusts* (96)	914.69	+0.5	—	2.50	—	0.25	910.00	905.60	912.68	641.85	914.69	23/1/87	633.36	14/1/86	914.69	23/1/87	71.12	13/12/74
81	Mining Finance (2)	371.48	−0.4	8.41	4.32	13.98	0.00	372.89	371.65	374.24	264.82	374.24	20/1/87	240.83	2/1/86	374.24	20/1/87	[illegible]	[illegible]
91	Overseas Traders (12)	833.13	+0.6	9.57	5.44	12.67	0.00	827.96	819.83	828.56	605.93	833.13	23/1/87	597.55	2/1/86	833.13	23/1/87	97.37	6/1/75
99	ALL-SHARE INDEX* (727)	896.04	+1.0	—	3.76	—	0.18	886.96	879.81	887.75	673.39	896.04	23/1/87	664.42	14/1/86	896.04	23/1/87	61.92	13/12/74

	Index No.	Day's Change	Day's High	Day's Low	Jan 22	Jan 21	Jan 20	Jan 19	Jan 16	Year ago	1986/87 High		1986/87 Low		Since Compilation High		Since Compilation Low	
FT-SE 100 SHARE INDEX ‡	1795.3	+17.8	1795.3	1780.3	1777.5	1761.6	1778.9	1778.4	1789.8	1392.0	1795.3	23/1/87	1370.1	14/1/86	1795.3	23/1/87	986.9	23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Jan 23	Day's change %	Thurs Jan 22	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	120.75	+0.08	120.65	—	0.85
2	5-15 years	135.24	+0.12	135.38	0.22	1.24
3	Over 15 years	142.82	+0.20	142.54	—	0.41
4	Irredeemables	154.79	−0.71	155.91	—	0.00
5	All stocks	132.76	+0.11	132.72	0.11	0.97
	Index-Linked					
6	5 years	117.49	+0.06	117.41	—	0.00
7	Over 5 years	114.59	+0.37	114.17	—	0.36
8	All stocks	115.03	+0.32	114.67	—	0.30
9	Debentures & Loans	116.85	−0.68	117.66	—	0.14
10	Preference	81.50	+0.09	81.42	—	0.00

	AVERAGE GROSS REDEMPTION YIELDS		Fri Jan 23	Thurs Jan 22	Year ago (approx.)	1986/87 Highs		1986/87 Lows	
	British Government								
1	Low	5 years	9.37	9.31	10.04	10.26	20/1/86	7.37	18/4/86
2	Coupons	15 years	9.77	9.78	10.55	10.87	20/11/86	8.32	18/4/86
3		25 years	9.78	9.78	10.56	10.88	20/11/86	8.33	18/4/86
4	Medium	5 years	10.28	10.28	11.78	11.89	14/1/86	8.58	18/4/86
5	Coupons	15 years	10.06	10.07	11.03	11.23	20/11/86	8.58	18/4/86
6		25 years	9.90	9.90	10.65	10.79	20/11/86	8.58	18/4/86
7	High	5 years	10.32	10.33	11.95	12.07	20/1/86	8.73	18/4/86
8	Coupons	15 years	10.20	10.22	11.23	11.41	20/11/86	8.73	18/4/86
9		25 years	9.92	9.92	10.74	10.86	20/11/86	8.73	18/4/86
10	Irredeemables†		9.75	9.67	10.31	10.51	20/11/86	8.38	18/4/86
	Index-Linked								
11	Inflat'n rate 5%	5 yrs	3.27	3.27	4.66	5.18	14/1/86	3.24	29/4/86
12	Inflat'n rate 5%	Over 5 yrs	3.71	3.72	3.89	4.01	20/1/86	3.26	13/5/86
13	Inflat'n rate 10%	5 yrs	1.65	1.64	3.61	4.23	14/1/86	1.63	21/1/87
14	Inflat'n rate 10%	Over 5 yrs	3.54	3.56	3.73	3.85	14/1/86	3.09	19/5/86
15	Debs &	5 years	10.95	10.85	12.32	12.78	27/1/86	9.72	8/7/86
16	Loans	15 years	10.94	10.85	11.82	11.93	4/2/86	9.79	22/4/86
17		25 years	10.94	10.85	11.81	11.91	20/11/86	9.69	17/4/86
18	Preference†		11.50	11.51	12.10	12.18	24/2/86	10.30	9/6/86

‡ Opening index 1783.4; 10 am 1783.2; 11 am 1787.6; Noon 1786.2; 1 pm 1786.1; 2 pm 1786.4; 3 pm 1789.6; 3.30 pm 1787.6; 4 pm 1793.1.

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	Mining Finance	29/12/67	100.00
Conglomerates	31/12/86	1114.07	Mechanical Engineering	31/12/71	153.84	All Other	10/04/62	100.00
Telephone Networks	30/11/84	517.92	Industrial Group	31/12/70	128.20	British Government	31/12/75	100.00
Electronics	30/12/83	1646.65	Other Financial	31/12/70	128.06	Do. Index-linked	30/04/82	100.00
Other Industrial Materials	31/12/80	287.41	Food Manufacturing	29/12/67	114.13	Debs. & Loans	31/12/77	100.00
Health/Household Products	30/12/77	261.77	Food Retailing	29/12/67	114.13	Preference	31/12/77	76.72
Other Groups	31/12/74	63.75	Insurance Brokers	29/12/67	96.67	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4, price 15p, by post 28p.

CONSTITUENT CHANGES: European Ferries (45) has been deleted and replaced by WPP Group (41).

NAME CHANGE: Brown (N.) has become Brown (N.) Group (34).

Quick dip and back to work

ALL GOOD things, so the saying goes, come to an end. Happily for London dealers, the demise of the New Year spending spree proved mercifully brief.

London markets hit the doldrums eight days ago — late on Friday afternoon — and the first two trading days last week looked distinctly edgy. On Wednesday, it was downhill most of the way: the FT-100 Share Index, which was off 26 points at one stage, closed a net 17.3 points lower.

But by Thursday business was back, with indices all-but recovering the previous day's losses and blue chips leading the way. Come Friday, it was more of the same — thanks to Wall Street. By the close, the FT-100 Share had barely budged from the previous week's record-breaking levels, at 1795.3.

Given the past five days' news, it is a wonder that the market coped so well. Take-overs — at least the contested variety — seem to be out; finger-pointing — the Heron variety — is in; and the looming strike by BT engineers threatens to play havoc with the nation's communications. Even a Gallup poll published on Friday, giving Labour a 5 per cent lead, was a rude reminder that the forthcoming election may not be quite the plain-sailing the City expects.

On the plus side, all investors could look to was the cut in German Bundtsbank rates, plus the prospect of a similar reduction by the Japanese. That did nothing for the dollar, faced with some sluggish economic figures, and while it was welcome news for sterling on Thursday, the clouding eltction prospects more than rubbed out that gain by the end of the week. Gilts, too, shaded by around ½ a point on Friday—pushing the yield on high coupon longs back into double figures.

One of the biggest question-marks hanging over the market is whether the takeover boom

London

is finally dead. On Monday, dealers waited eagerly for BTR's improved Pilkington offer. It didn't come. Instead Sir Owen Green did the institutional rounds and, the following day, withdrew from the fray. That knocked 35p off Pilk's shares at 660p—50p down on the previous Friday—and 1p off BTR, at 288p. By Wednesday, it was rumoured that BTR had already sold the 8.15m shares in its target—around 4 per cent—to the Kuwait Investment Office for a £16m profit.

Curiously, as far as the two protagonists are concerned, the City is more perplexed about BTR's future. Pilkington's forecast of doubled profits at £250m pre-tax in year to end-March, coupled with hastily-revised analysts' estimates of £300m-£330m in 1987-88, has helped underpin the shares since BTR pulled out. At the current price of 674p, they stand on a prospective PE (on the forecast) of under 10—which has to be good value.

Where BTR goes next is less clear. Though few criticise Sir Owen's decision to pull out from this battle in this climate, the pressure to find some other profits motor may build over the next nine months or so. The company itself has made warning noises about future volume growth, and after forecasting a profits leap of perhaps 30 per cent to £475m in 1986, most analysts see earnings growth of around 15 per cent in 1987—very much in line with the market average. Unless, of course, something else comes along.

BTR's was not the only "mega-bid" to die. Gulf Resources also bowed out of its £750m leveraged offer for IC Gas, killing the Monopolies Commission inquiry. IC Gas's corporate restructuring—a split into three parts—is due in April and Gulf continues to hold its 10 per cent-plus stake. But thoughts that it—or someone else—may yet be back for a bit of the business, is keeping IC shares firm at around 590p.

Sir Owen Green

And the City looked distinctly askance at news of a possible £450m merger between UEI and Oxford Instruments, two of Britain's fastest-growing technology groups. The overlap—Oxford is into superconducting magnets while UEI boasts audio-visual electronics plus engineering—was far from self-evident. Oxford faces problems in the key US scanner market so might have found the deal timely, but the 26p fall in UEI shares to 360p by Friday lunch time suggested a certain wariness there. On Friday afternoon, the deal was off —"not in best long-term interests."

True, the death of the mega-bid was widely forecast last summer when Dixons failed to snare Woolworth. But that was before potential insider scandels lurked at the back of merchant bankers' minds. On the Guinness front, events last week moved well beyond the company itself. With the Bank of England playing an increasing role, two more Morgan Grenfell directors departed, leaving Morgan shares at a sorry 400p, despite the recent bid battle.

Revelations that Guinness share support payments stretched to Mr Ronson's Heron Group and S & W Berisford, plus the resignation of Lord Spens from bankers Ansbacher were met with more equanimity. But the real interest centred on Burton, where rumours—hastily denied—or a DTI investigation into its Debenhams bid knocked the share 31p lower at 253p on Wednesday, with Harris Queensway dipping in sympathy.

The position of Argyll, losing party in the Distillers battle, went through several shades of obfuscation. First, it might sue Guinness for the costs involved in its abortive bid. Next, Mr Gulliver appeared to have suggested a merger. Then, Argyll denied any bid intentions.

What did transpire was that Argyll will be the new owner of the 132 UK Safeway stores—at a cost of £681m. The price is in the middle range of expectations and the deal should give Argyll a welcome stepped-up presence in the South-East. Having lost 13p on Thursday, the shares more than made up that ground on Friday—despite the hefty vendor placing. News of a healthy dividend forecast and possible disposal of the US drinks business Barton Brands, where profits have been sliding recently, did no harm either.

For stockmarket newcomers—and some old hands—the interim statement from British Gas will have been another mystery. Broadly, the City has decided that the reduced current cost loss for the first half leaves British Gas well in line to beat its flotation forecasts for the full year—and the recent cold snap will not have done any harm either. The shares hardened by the odd penny to around 70p.

Telecom investors, by contrast, had a rough week—a combination of the impending strike and the latest poll knocked the shares xxp. But, since donning the role of an election stock, BT shares have never looked suitable for the faint-hearted. Who knows, by Monday, you may not even be able to reach your stockbroker to sell.

Nikki Tait

Mixed bag on third tier

A TIMBER pallet manufacturer, a couple of marketing and media groups, an insurance broker, a holding company, a pair of oil exploration stocks and a restaurant chain may not seem like the most polished portfolio of investments, but these are the companies which begin trading on the Third Market when it opens on Monday.

When the Stock Exchange drafted its proposals for the third tier it attempted to ensure that the market would be a flexible forum for the shares of small companies, predominantly industrial in nature, which could use their quotations to raise sorely needed development capital.

One of the eight recruits, at least, fulfils that brief. The Unit Group is involved in industry, being the largest manufacturer of timber pallets in the UK, and intends to use the issue to raise new capital in order to reduce borrowings and accelerate automation, thereby regaining lost momentum.

Indeed, the Unit Group is the only one of the first crop of companies to seek to raise new money from the market. It plans to raise £1.3m through the Business Expansion Scheme. After the issue, sponsored by Guidehouse, the group will be capitalised at £4.6m on a share price of 122p.

The second new issue, Catalyst Communications, is much more akin to the London-based service sector companies which dominated the USM in its early days. In three years Catalyst has built up a marketing services and publishing group and intends to use its third tier paper for acquisitions. After the introduction, through Brewin Dolphin, it will be valued at £3.5m on a share price of 43p.

The Abelscot Group is the third new issue, although its shares have been occasionally traded under the Stock Exchange's rule 535(2). Abelscot began life as Domes of Silence 1920, a manufacturer of furniture gliders. Domes of Silence was taken over a year ago and the new management has since established a holding company with interests in graphite materials. It will be capitalised at £4m on 150p following its introduction by Alexanders Laing & Cruickshank.

All the other Third Market recruits will transfer from existing markets, either from the Stock Exchange's 535 (3) mechanism for mineral exploration companies or from the over-the-counter market which has sprung up from the exchange floor.

Both the 535 (3) emigres are concerned with oil exploration and both have suffered from the oil price crisis. Eglinton Oil and Gas, the larger of the two at £25m, is an exploration company incorporated in Eire which is still trading profitably, albeit at a reduced level. Greig Middleton will introduce it to the new market at a share price of 44p.

Aberdeen American Petroleum, which is involved in both exploration and production, fell into losses because of the oil price fall, but is now under the aegis of a new managing director. After its introduction, by Rowe & Pitman, it will be valued at £5m on 34p.

Junior Markets

The London restaurant group, Theme Holdings, has staged a more pedestrian performance on the OTC market. Yet Theme, sponsored by Guidehouse, has sustained profits growth and will be capitalised at more than £4m on 44p.

Publishing Holdings, with interests in financial publishing and marketing, will be one of the smaller debutantes, capitalised at just £1.8m on an 18p share price after an introduction by Greig Middleton. It also intends to use its quotation to embark upon acquisitions.

This leaves Allied Insurance Brokers, the product of a management buy-out from Ennia Insurance in 1984, which is involved in non-marine, life and pensions broking. Guidehouse will sponsor AIB on to the Third Market in an introduction which will capitalise the company at £3.5m on 110p.

While the Stock Exchange finalised plans for its new junior market, the pattern of trading on the USM last week offered some salutary lessons for new issue investors. Several companies which went public last year made announcements—some good, others bad.

To begin, the good news. Hodgson Holdings, the acquisitive funeral group which joined the USM in June and has since watched its shares soar from 85p to more than 190p, announced a 60 per cent increase in profits to £840,000. Analysts anticipate around £1.2m for the current year and, given Hodgson's growth record and its image as the most dynamic of the USM's rather macabre sub-sector of undertakers, are willing to countenance a prospective p/e of 22.

The progress of Splash Products and Borland International has been rather less heartening. Splash and its T-shirt printing activities were greeted with scepticism from the outset, yet even the most sceptical of shareholders — who have watched their shares fall from 72p to less than 50p—could scarcely have suspected that preliminary profits would be as low as £55,000, compared with the £400,000 expected at the interim stage.

Borland, by contrast, has been bandied about as a potential growth stock. When this US software house went public in June — on an historic p/e of 16 — analysts cheerfully chalked up a profit forecast of $12.8m for the current year. Delays with new product development have, however, prompted its broker, Barclays De Zoete Wedd, to cut its profits forecast to $8m. The shares have slumped, shedding 40p in two days last week, to less than 100p, well below the issuing price.

Alice Rawsthorn

TSB's first figures

HARD on the heels of British Gas's results this week comes a reminder of the other great stock market issue of 1986 when TSB produces the first set of figures since its flotation.

In a sense the figures will be somewhat academic, because the prospectus for the bank's flotation contained a profits forecast of £201m for the year to November. Coming so close to the year end, it would be surprising if that forecast proved inaccurate.

Yet the prospectus made it clear that the figures were based on the assumption that there would be no material change in interest rates before the years' end. In fact, base rates rose by 1 percentage point on October 14. The cost of TSB's deposits, with their greater interest-bearing element, is more responsive to rate changes than the income on assets, so this upward shift in base rates will have produced a bonus.

Other factors, too, suggest a stronger-than-forecast result. TSB's life business has been very buoyant, and there is also a feeling in some quarters that the bank will want to serve up something exciting in the figures to dispel the notion that it is dull.

Altogether, then, at least £210m is in sight against £169m last time, and the figure could even head towards £220m.

LONRHO turned in a disappointing performance at the interim stage because of the adverse effect of exchange rates, and the same element has led analysts to downgrade their forecasts for the full-year figure to September, due out on Thursday.

As a leading world producer of platinum and gold, Lonrho will have reaped considerable benefits from higher bullion prices. These, however, will have only come into play towards the end of the period, and will have been largely offset by the strength of sterling against southern African currencies.

Results due next week

Another negative feature of the results will have been the performance of the Princess chain of hotels in Mexico. Once an important growth area for the group, these hotels have suffered a downturn in customers because of the Mexican earthquake. For different and well-documented reasons, the UK casino and hotel operations will have suffered.

These factors will not, however, have outweighed modest growth elsewhere in the group. Overall, analysts are expecting pre-tax profits of £162m to £163m compared with £158.3m last year.

Shares in W. H. Smith have rallied strongly for the past few weeks, largely because of speculation that a bid from Dixons is imminent. They face a strong test on Wednesday, when the group publishes its figures for the six months to the end of November.

Much will depend on the performance of recent acquisitions. The last time W. H. Smith reported—at the full-year stage—it met the City's profit forecasts but its shares took a battering because of poor performances by Elsons, the US newsagents and gifts shops group, bought in October, 1985, and Our Price records, acquired last April.

Analysts are expecting pre-tax profits, excluding property transactions, of about £24m, against £21.1m last time. Retailing is thought to have done particularly well. As well as lifting turnover by around 10 per cent, its margins are likely to have improved because of refinements in the merchandising mix.

In UK wholesaling, lost sales from News International will total around £20m in a full year but the division will benefit from reduced overheads following its reorganisation and from the introduction of the Independent newspaper.

After the failure of the bid for Granada, RANK ORGANISATION has hinted that it is still on the look-out for major acquisitions and its preliminary results on Thursday are likely to be scanned for clues to its future strategy.

Rank Xerox, in which Rank has a 48 per cent stake, has traditionally contributed the bulk of Rank's profits, but these figures should show managed businesses providing most for the first time. Nevertheless, Rank Xerox's contribution should be higher at around £75m.

The success of Crocodile Dundee came too late to boost the film and television division, and delays associated with the new James Bond movie have affected Pinewood, but there will be further profits from cinema disposals. The performance from Precision Industries is expected to be patchy. Both Butlins and overseas holidays are expected to have recovered, but the hotels division will have been hit by the drop in US tourism.

With a nine-month contribution from Haven Leisure adding around £6m overall profits should top £160m, compared with £137m in the previous year.

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Allied Textile	Thursday	2.0	4.5	3.0
Appletree	Friday	—	1.0	1.0
Associated Fisheries	Thursday	0.25	3.0	0.5
Camford Engineering	Wednesday	—	1.75	—
Domino Printing Sciences	Thursday	—	0.35	—
Edinburgh American Assets	Thursday	—	0.6	—
Glass Glover	Thursday	1.6	2.3	1.76
Habit Precision Engineering	Monday	0.6	1.15	0.7
Heavitree Brewery	Friday	1.65	6.6	2.0
Kershaw, A.	Thursday	4.0	11.0	4.0
Kirarfold	Thursday	—	—	—
Leda Investment Trust	Tuesday	2.43	4.2	2.84
Lonrho	Thursday	3.64	12.0	4.0
Microsystems	Tuesday	—	—	0.75
Rank Organisation	Thursday	5.5	9.5	6.25
Throgmorton Trust	Tuesday	2.75	5.6	2.75
TSB Group	Thursday	—	—	—
INTERIM DIVIDENDS				
Ailsa Investment Trust	Monday	1.0	1.5	
Applied Holographics	Monday	—	—	
Ariel Industries	Friday	—	—	
BCE Holdings	Wednesday	—	—	
Border Television	Monday	—	—	
British Bloodstock Agency	Tuesday	2.5	6.3	
Bromsgrove Industries	Friday	—	—	
Cray Electronics Holdings	Wednesday	0.957	2.954	
Dae Holdings	Wednesday	—	—	
Dale Electric Int.	Tuesday	1.5	1.5	
Douglas (Robert M.) Holdings	Thursday	0.75	1.5	
Dyson (J. and J.)	Friday	2.0	2.5	
Equipu	Thursday	1.6	3.4	
Eve Construction	Monday	—	—	
Finland Group	Thursday	—	—	
G.T. Japan Investment Trust	Monday	0.4	1.0	
Hallite	Friday	3.0	7.0	
Harvey and Thompson	Wednesday	1.75	4.25	
Haynes Publishing	Friday	5.0	9.0	
Highgate and Job	Friday	—	—	
Hillards	Monday	1.0	2.3	
Home Farm Products	Thursday	1.15	2.1	
Jones, Ernest	Thursday	—	1.4	
London Shop Property Trust	Thursday	1.45	4.75	
Mairmet	Wednesday	—	1.0	
Markheath Securities	Tuesday	0.75	1.93	
M L Holdings	Thursday	7.3	5.7	
Murray Smaller Markets Trust	Tuesday	0.9	1.9	
Neepsend	Thursday	—	0.1	
Nordic Investment Trust	Friday	—	0.2	
Ratcliffe, F.S.	Thursday	—	—	
Saville J. Gordon Group	Monday	0.4	0.88	
Smith, W. H.	Wednesday	2.0	4.0	
Sommerville, William	Friday	1.0	8.0	
Vibroplant	Monday	3.7	8.8	
Warehams	Friday	1.2	2.4	
Wholesale Fittings	Friday	1.87	6.53	

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1986-87 High	1986-87 Low	
FT Ordinary Index	1425.9	+22.9	1,425.9	1,094.3	Global interest rate hopes
APV	663	+85	675	245	Baker Perkins merger benefits
Associated Newspapers	483	+38	483	218½	Kleinwort Grieveson "buy" circular
Ault and Wiborg	105	+39	115	31	Sun Chemical bid speculation
Berisfords	153	+37	155	85	Agreed bid from Ferguson Indl
Borland	111	−27	160	98	BZW downgrade profits estimate
Burndene Invsts	138	+18	138	24	Bumper results/capital reorganisation
Burton	250	−38	354	242	Rumours of DTI investigation
Cadbury Schweppes	227	+32	227	144	Takeover speculation
Cons Tern Invs	66	+24	68	37	Asset injection hopes
F and C Eurotrust	295	−13	310	171	Bid for General Funds
Glaxo	£12¾	+1¼	£12¾	756	Drug development hopes
Harris Queensway	191	−23	309	186	Adverse comment/DTI worries
LWT	611	+106	611	263	Advertising growth prospects
Morgan Grenfell	408	−17	516	353	Further top-level resignations
MS International	70	−26	119	65	Poor interim figures
Pilkington Bros	673	−37	715	315	BTR offer withdrawn
Thorn EMI	564	+45	564	377	BZW circular/defence contract
Tomkinsons	310	+52	310	85	BZW "buy" recommendation
Wiggins	180	+28	180	51	Good interim results

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 29%	45%	60%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawals (days)
CLEARING BANK*								
Deposit account	5.00	5.12	3.96	2.88	monthly	1	—	0-7
High interest cheque	7.70	7.93	6.14	4.46	quarterly	1	2,500 minimum	0
Three-month term	7.38	7.59	5.88	4.27	quarterly	1	2,500-25,000	90
BUILDING SOCIETY†								
Ordinary share	6.00	6.09	4.72	3.43	half yearly	1	1-250,000	0
High interest access	7.75	7.75	6.00	4.37	yearly	1	500 minimum	0
High interest access	8.00	8.00	6.20	4.51	yearly	1	2,000 minimum	0
High interest access	8.50	8.50	6.58	4.79	yearly	1	5,000 minimum	0
High interest access	8.75	8.75	6.78	4.93	yearly	1	10,000 minimum	0
90-day	8.75	8.94	6.93	5.04	half yearly	1	500-24,999	90
90-day	9.00	9.20	7.13	5.18	half yearly	1	25,000 minimum	90
NATIONAL SAVINGS								
Investment account	11.75	8.34	6.46	4.70	yearly	2	5-100,000	30
Income bonds	12.25	9.27	7.18	5.22	monthly	2	2,000-100,000	90
32nd issue‡	8.75	8.75	8.75	8.75	not applicable	3	25-5,000	8
Yearly plan	8.84	8.84	8.84	8.84	not applicable	3	20-200/month	14
General extension	8.70	8.70	8.70	8.70	quarterly	3	—	8
MONEY MARKET ACCOUNTS								
Money Market Trust	7.93	8.08	6.26	4.55	half yearly	1	2,500 minimum	0
Schroder Wagg	7.48	7.74	6.00	4.36	monthly	1	2,500 minimum	0
Provincial Trust	8.22	8.54	6.61	4.81	monthly	1	1,000 minimum	0
BRITISH GOVERNMENT STOCKS§								
7.75pc Treasury 1985-88	9.90	7.62	6.36	5.18	half yearly	4	—	0
10pc Treasury 1990	10.43	7.50	5.89	4.38	half yearly	4	—	0
10.25pc Exchequer 1995	10.31	7.33	5.69	4.15	half yearly	4	—	0
3pc Transport 1978-88	8.01	7.10	6.59	6.12	half yearly	4	—	0
2.5pc Exchequer 1990	8.07	7.26	6.81	6.39	half yearly	4	—	0
Index-linked 1990¶	7.50	6.90	6.58	6.27	half yearly	2/4	—	0

* Lloyds Bank. † Halifax. ‡ Held for five years. § Source: Phillips and Drew. ¶ Assumes 4 per cent inflation rate. 1 Paid after deduction of composite rate tax, credited as net of basic rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
	Prices in pence unless otherwise indicated.				
Baker Perkins	391	392	355	155.94	APV
Barrow Hepburn	52§	60	42	17.28	Yule Catto
Berisfords	157½§§§	153	137	8.63	Ferguson Indl
Berkeley Expln	67½	63	56	16.48	Clyde Pet
Berkeley Expln	64*§	63	38	15.62	Ranger Oil
Bryant Hldgs	194	177½	165	196.02	Eng China Clays
Bulmer & Lumb¶	135*§	136	122	11.62	Allied Textile
Burns-Anderson	115*	111	—	23.64	Dudley
Crouch (Derek)¶	214§	213	218	26.69	Ryan Intl
Dataserv	206	195	200	67.76	Bell South Corp
Dialene	289*	280	260	11.01	Bunzl
Exco Intl¶	303¼§§	303	203‡‡	710.61	Brit & Comm
Equipu	266½§	258	122‡‡	20.24	Sketchley
Europn Ferries¶¶	132§§	136½	231	305.82	P & O
Feb Intl	155†	153	108†‡	2.69	Tarmac
Feb Intl 'A'	105†	105	78‡‡	5.36	Tarmac
Fogarty	157†	158	97	29.25	Coloroll
Fothergill Harvey	225*§§	263	178	28.23	Courtaulds
Gates (... G.)	120*	122	114	10.06	Giltrap Hldgs
Goldsmiths Grp	269§§§	266	264	40.77	Oriflame
Grosvenor Group	125†§	128	120	7.79	BBA Group
Grosvenor Group	135†§	128	125	8.41	Hollis
Henera	70*	68	57	8.04	Warner Lambert
Hwrd & Wyndhm¶	15*§	18	20	2.74	Intermediate Secs
Lond & Nthn Grp	81†	74½	71½	90.11	Demerger Two
McCorquodale	315*	306	258	161.45	Norton Opax
Simon Eng	325§§	296	266	200.28	Valuedale
Supra Group¶	95	94	73	15.45	Evode Group
Tenby	232½	226	217	40.92	Emess Lighting
Utd Tst & Credit	527½§	450	470	12.94	Somportex
Wedgwood	569	555	423	258.25	Waterford Glass
Wettern Bros	153½§	148	173	1.83	RMC
Whitworth Elect	144½	135	94	5.72	STC

* All cash offer. † Cash alternative. ‡ Partial bid. § For capital not already held. ¶ Unconditional. ** Based on 2.30 pm prices 23/1/87. †† At suspension. §§ Shares and cash. ¶¶ Related to NAV to be determined. ||| Loan stock. ‡‡ Suspended.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Anglia TV	Oct	8,500	(3,307)	37.2	(14.2)	11.25	(9.0)
Blick	Sept	3,080	(1,970)	—	(—)	2.00	(—)
Brooke Tool	Sept	1,210	(1,060)	3.4	(3.3)	1.45	(1.25)
Burndene	Sept	2,050	(756)	19.0	(7.4)	4.75	(1.4)
Coline Intl	Oct	1,330	(871)	9.9	(6.3)	1.35	(—)
County Props	Sept	5,170	(6,140)	27.3	(29.3)	4.3	(3.5)
First Leisure	Oct	12,730	(10,140)	26.5	(20.9)	7.5	(6.0)
French Thomas	Sept	1,240	(947)	2.98	(1.05)	2.88	(2.88)
Gestetner	Nov	10,650	(11,580)	9.6	(13.2)	1.5	(1.5)
Hill & Smith Hld	Sept	2,100	(1,700)	11.2	(10.2)	4.2	(3.85)
Hodgson Hldngs	Oct	840	(528)	6.6	(5.8)	1.13	(—)
KLP	Sept	2,090	(1,482)	24.3	(18.9)	4.0	(3.0)
Kunich Leisure	Sept	1,160	(546)	—	(—)	0.75	(—)
Lookers	Sept	2,620	(2,290)	24.5	(19.4)	6.4	(4.9)
LPA Ind	Sept	633	(896)	6.0	(9.9)	3.0	(2.5)
Microgen	Oct	7,200	(5,060)	25.0	(16.3)	8.0	(4.5)
Perkins, J.	Sept	381	(601)	2.2	(4.4)	1.2	(1.2)
Southern Bus	Sept	2,600	(1,910)	15.5	(11.4)	3.5	(2.7)
Splash Prod	Oct	55	(342)	1.4	(6.1)	2.2	(—)
TSL	Oct	255	(577)	4.0	(19.6)	1.0	(3.0)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Beales, John	Nov	602	(342)	1.5	(1.35)
British Gas	Sept	68,000L	(100,000)L	—	(—)
Clark Matthew	Oct	2,890	(2,620)	11.9	(10.1)
Copson F.	Oct	59	(54)	—	(—)
Centrovincial Est	Sept	1,270	(1,260)	3.35	(3.0)
Churchbury Est	Sept	2,000	(1,700)	1.0	(—)
Clarke Hooper	Oct	485	(397)	1.0	(—)
Davy	Sept	6,000	(4,450)	1.5	(1.1)
Dowty	Sept	23,400	(17,594)	2.6	(2.3)
ERG	Oct	7,270	(7,740)	1.16	(1.16)
Fitch Lovell	Oct	10,400	(9,000)	3.8	(3.5)
Gold Greenlees	Oct	870	(632)	1.2	(—)
Hampson Ind	Sept	945	(618)	0.375	(0.314)
Harrison Ind	Sept	1,430	(121)	8.00	(6.9)
Heath Samuel	Sept	104	(79)	—	(—)
Kewill Systems	Sept	259	(265)	—	(—)
Mayfair and City	Sept	353	(424)	1.1	(1.1)
MS International	Nov	370L	(1,240)	0.5	(0.5)
Newmark, Louis	Sept	661	(519)	5.0	(5.0)
Park Food Grp	Sept	2,260L	(1,810)L	1.65	(1.4)
Peerless	Sept	1,400	(806)	2.35	(2.1)
Real Time Cntrl	Sept	304	(105)	—	(—)
Smith, David S.	Nov	10,160	(2,550)	1.75	(1.4)
Smith Whitworth	Sept	13	(129)L	—	(—)
Sovereign Leas	Dec	360	(203)	—	(—)
Symonds Eng	Sept	79	(56)	0.3	(0.3)
Tip Top Drugs	Nov	750	(616)	0.8	(—)
Wigfalls	Oct	697L	(539)L	—	(—)
Wiggins Group	Sept	525	(128)	1.25	(—)
Zetters Grp	Sept	558	(773)	1.4	(1.25)

(Figures in parentheses are for the corresponding period)
* Dividends are shown net pence per share, except where otherwise indicated.

RIGHTS ISSUES

Anglia TV—To raise £8.5m through a one-for-five rights issue at 310p.

Cannon Street Investments—To raise £16.2m through a one-for-three rights issue.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

Finlan Group—Vendor placing of 2.74m shares at 85p.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

BANK RETURN

BANKING DEPARTMENT	Wednesday January 21, 1987	Increase (+) or decrease (−) for week
LIABILITIES	£	£
Capital	14,553,000	—
Public Deposits	4,423,238,047	+ 1,430,665,389
Bankers Deposits	865,639,298	− 22,221,358
Reserve and other Accounts	1,531,885,700	− 45,275,996
	6,835,316,045	+ 1,363,168,001
ASSETS		
Government Securities	669,812,756	+ 115,640,000
Advance and other Accounts	830,114,979	+ 195,310,810
Premises Equipment & other Secs.	5,334,718,161	+ 1,051,745,062
Notes	6,414,417	+ 527,534
Coin	255,732	− 55,405
	6,835,316,045	+ 1,363,168,001

ISSUE DEPARTMENT	£	£
LIABILITIES		
Notes in Circulation	12,583,585,583	− 120,527,534
Notes in Banking Department	6,414,417	+ 527,534
	12,590,000,000	− 120,000,000
ASSETS		
Government Debt	11,015,100	—
Other Government Securities	2,024,394,781	− 321,503,336
Other Securities	10,554,590,119	+ 201,503,336
	12,590,000,000	− 120,000,000

EUROPEAN OPTIONS EXCHANGE

Series		Feb 87 Vol.	Feb 87 Last	May 87 Vol.	May 87 Last	Aug 87 Vol.	Aug 87 Last	Stock
GOLD C	$370	27	36A	—	—	—	—	$401.90
GOLD C	$380	19	26A	—	—	—	—	"
GOLD C	$390	122	15	31	30	—	—	"
GOLD C	$400	350	9.50	108	22A	24	22	"
GOLD C	$420	74	4	94	13A	188	17.50	"
GOLD C	$440	33	2	165	8.20	—	—	"
GOLD C	$460	—	—	38	5	—	—	"
GOLD C	$480	—	—	20	3	110	10.50	"
GOLD P	$390	808	3.90B	9	8.50	—	—	"
GOLD P	$400	231	8B	16	13B	—	—	"
GOLD P	$440	—	—	20	36B	—	—	
		Mar 87		Jun 87		Sep 87		
SILVER C	$700	—	—	50	10	—	—	$550
E/FL C	Fl.320	20	1.90	—	—	—	—	Fl.313.84
E/FL P	Fl.315	5	8.20	22	12.80	—	—	"
		Feb 87		Mar 87		Apr 87		
S/FL C	Fl.200	—	—	10	7.60	—	—	Fl.206
S/FL C	Fl.205	9	3.50	11	4.70	10	5.90	"
S/FL C	Fl.210	34	1.50	22	3	20	3.60	"
S/FL C	Fl.215	8	0.60	18	1.50	—	—	"
S/FL C	Fl.220	—	—	9	1	—	—	"
S/FL P	Fl.195	63	0.90	64	1.50A	—	—	"
S/FL P	Fl.200	82	1.75	81	2.30	7	3.70	"
S/FL P	Fl.205	102	3.10	126	4.20	—	—	"
S/FL P	Fl.210	63	6.50	129	7.50	5	9	"
S/FL P	Fl.215	5	10.40	16	10.50	—	—	
		Apr 87		Jul 87		Oct 87		
ABN C	Fl.540	209	12.50	64	21	12	21	Fl.522.50
ABN P	Fl.520	235	12.50	10	25	3	26.10	"
AEGON C	Fl.90	36	2	2	3.20A	1	4.30	Fl.85
AEGON P	Fl.90	50	6.10	—	—	—	—	"
AHOLD C	Fl.100	80	10.50	—	—	—	—	Fl.107
AHOLD P	Fl.85	100	0.50	—	—	—	—	"
AKZO C	Fl.190	222	2.20	118	3.70	22	5.90	Fl.137
AKZO P	Fl.130	331	2.80	79	5	12	6.50	"
AMEV C	Fl.75	30	1.80	6	2.80	—	—	Fl.71.60
AMEV P	Fl.75	19	4	—	—	—	—	"
AMRO C	Fl.80	100	10.50	6	12	—	—	Fl.88.40
AMRO P	Fl.90	62	4.80	14	6.30	—	—	"
ELSEVIER C	Fl.260	148	8.90	—	—	2	13	Fl.249.50
ELSEVIER P	Fl.240	21	5.70	—	—	12	2.50	"
GIST-BROC. C	Fl.45	90	1.30	213	2.10	—	—	Fl.41.30
GIST-BROC. P	Fl.50	50	9	1	10	—	—	"
HEINEKEN C	Fl.160	61	8.80	13	9.20	—	—	Fl.159.70
HEINEKEN P	Fl.170	125	11	27	12A	7	4.90	"
HOOGOVENS C	Fl.35	80	2.20	16	3.30	—	—	Fl.33.50
HOOGOVENS P	Fl.30	58	1.80	55	2.50	8	4	"
KLM C	Fl.40	324	1.60	79	2.80B	6	3	Fl.37.60
KLM P	Fl.35	117	1.40	125	2.30	5	4	"
NAT. NED C	Fl.80	160	1.90	26	3.10	8	4.70	Fl.76.50
NAT. NED P	Fl.75	184	2	10	3.20	48	4.80	"
PHILIPS C	Fl.45	403	2.60	251	3.80	—	—	Fl.45.30
PHILIPS P	Fl.40	535	0.70	116	1.70	116	12	"
ROYAL DUTCH C	Fl.210	2880	9.80	151	11	9	9	Fl.216.50
ROYAL DUTCH P	Fl.230	732	3.30	946	8	—	—	"
ROBECO C	Fl.100	16	0.90	4	2.20	—	—	Fl.97.10
ROBECO P	Fl.95	110	2.40	10	3	1	20	"
UNILEVER C	Fl.540	182	7	45	14.50B	—	—	Fl.515.30
UNILEVER P	Fl.500	117	8	9	16	—	—	"

TOTAL VOLUME IN CONTRACTS: For 23/1/87 32,860

A=Ask B=Bid C=Call P=Put

INSURANCE, OVERSEAS & MONEY FUNDS

Target Life Assurance Co. Ltd.
Target House, Gatehouse Road, Aylesbury, Bucks
Aylesbury (0296) 394000

Managed	414.0	435.8	+2.7	—
Property	261.9	275.7	....	—
Fixed Int.	159.9	168.4	-0.3	—
UK Equity	484.5	510.1	+1.3	—
Int. Equity	339.5	357.4	+2.7	—
Deposit	157.8	166.2	....	—
Managed Property	226.5	238.5	+1.4	—
American Eagle	114.6	120.7	+2.2	—
Technology	101.8	107.2	+2.7	—
Worldwide Income	177.3	186.7	+0.9	—
Pacific	177.5	186.9	-1.0	—
Australian	91.2	96.0	+0.4	—
Japan	294.9	310.5	+1.7	—
Commodity	106.8	112.5	+0.3	—
Gold	135.6	142.4	+0.3	—
Financial	203.8	214.6	+0.5	—
Income	233.5	245.8	+0.7	—
Special Situations	215.8	227.2	+1.6	—
Preference	137.1	144.4	....	—
Managed Currency	96.8	101.9	....	—
European Spec. Sits.	203.5	214.3	+1.0	—
Sterling	110.3	—	....	—
Residential Property	98.8	103.7	+0.3	—
Pension Funds				
Managed Pension	1239.5	1304.8	+5.5	—
Gilt Pens.	357.1	369.6	-0.2	—
Property Pens.	651.8	686.2	+2.8	—
Equity Pens.	597.9	629.4	+2.2	—
Index-L Plan	124.8	131.4	....	—
Guar. Pen.	259.4	273.1	+0.1	—
Leicester Retirement	155.5	163.7	....	—

Prices quoted are for Accumulation units

Teachers' Assurance Company Ltd
12 Christchurch Rd, B'mouth BH1 3LW 0202 291111

Managed Fund	178.6	188.0	....	—
Gilt & Fixed Int Fd	133.3	140.3	....	—
Cash Fund	123.7	130.2	....	—

Transatlantic Life Assur Co Ltd
8 New Rd, Chatham, Kent Medway 812348

LACOP Units	16.70	17.54	....	—

Trident Life Assurance Co Ltd
London Road, Gloucester 0452 500500

Managed	320.4	337.4	+1.0	—
Gtd. Mgd.	291.2	306.4	-0.2	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

The Porchester Group
91 Wimpole Street, London W1M 7DA 01-493 9090
Porchester Managed Funds

Albany (z)	117.6	123.7	-0.2	—
Cornhill (z)	105.5	111.5	....	—
Irish Life (z)	110.1	116.0	-0.5	—
Royal Heritage (z)	102.2	107.6	+1.0	—
Schroder (z)	98.4	103.9	-0.5	—
Skandia (z)	119.7	125.9		—
Target (z)	120.2	126.6		—
Trident (z)	114.9	121.0	+1.3	—
Porchester Managed Pension Funds				
Albany (z)	128.3	135.0	-0.2	—
Schroder (z)	98.9	104.1	....	—
Skandia (z)	125.4	132.0	....	—
Target (z)	110.5	116.4	....	—

Managed by Porchester Securities Limited

Sharp (Albert E.) & Co
12 Newhall Street, Birmingham B3 3ER 021-236 5801

Man-Clerical Med	114.4	120.5	+0.5	—
Pens. Man-Schroder	467.8	492.4	+1.3	—

Towry Law & Co
57 High St, Windsor, SL4 1LX 0753 868244

Clerical & Medical	100.9	106.9	+0.8	—
Guardian Royal Exch	97.2	102.4	-0.4	—
M&G Ast (Life)	111.7	117.4	....	—
M & G Ast (Pens)	128.1	134.6	....	—
Norwich Union Asst Mgt	53.9	56.9	+0.5	—
Royal Life (UnitLnkAss)	103.0	108.4	+1.0	—
Scot Equitable (Life)	148.9	154.7	....	—
Scot Equitable (Pens)	101.4	106.7	....	—
Scot Mutual (Life)	152.7	160.8	+0.5	—
Scot. Mutual (Pens)	138.9	146.3	+0.6	—
Vanbrugh Life Ass	119.0	125.3	....	—

J. D. Ward & Co Ltd
55 Lincoln's Inn Fields, WC2A 3LX. 01-242 2263

Target Mngd Bond	185.6	195.4	....	—
Target Mngd Pension	123.6	130.2	....	—
Albany Mngd Bond	164.8	173.4	....	—
Albany Mngd Pension	209.0	219.9	....	—

Yorkshire & Lancashire Investment Mgt.
2 Parson Lane, Clitheroe, BB7 2JN 0200 28066

Growth & Income (RH)	171.8	180.9	....	—
Ultra Bond (Roy.H)	141.7	149.2	....	—
Flexible Managed (Hen)	141.2	148.7	....	—
Global Managed (Schr.)	131.3	138.2	....	—
Pension Fund (Roy.H)	117.8	124.1	....	—

OFFSHORE AND OVERSEAS

[illegible]

MANAGEMENT SERVICES

[illegible]

Credit Suisse

[illegible]

DWS Deutsche Ges. F. Wertpapiersp

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES

[illegible]

TRADITIONAL OPTIONS
3-month call rates

[illegible]

A selection of Options traded is given on the London Stock Exchange Report Page.

AUTHORISED UNIT TRUST & INSURANCES

Growth & Sec. Life Assce. Soc. Ltd
29 Bolton Rd, Haywards Heath, W. Sussex 0444 413307

Flexible Finance		176.55	...	—
Landbank Secs.		67.62	...	—
Landbank Secs. Acc.	255.82	269.15	...	—
G. & S. Super Fd.		13.1580	...	—

Guardian Royal Exchange
Royal Exchange, EC3 01-283 7101

Guardian Assurance				
Property Bonds	401.6	418.3	...	—
GRE Linked Life Assurance Ltd				
Managed Initial	334.5	352.1	+1.6	—
Do. Accum.	399.7	420.7	+1.9	—
Equity Initial	438.3	461.4	+4.7	—
Do. Accum.	523.7	551.3	+5.6	—
Fixed Int. Initial	242.0	254.7	+0.1	—
Do. Accum.	289.1	304.3	+0.1	—
Intnl. Initial	389.2	409.7	+0.8	—
Do. Accum.	465.0	489.5	+1.0	—
North American Initial	146.0	153.8	−0.3	—
Do. Accum.	158.8	167.2	−0.3	—
Pacific Initial	216.9	228.3	−0.5	—
Do. Accum.	233.6	245.9	−0.5	—
European Initial	100.5	105.8	+0.2	—
Do. Accum.	100.5	105.8	+0.2	—
Property Initial	140.1	147.5	...	—
Do. Accum.	167.2	176.0	...	—
Index-Linked Gilt Init.	98.0	103.2	+0.2	—
Do. Accum.	106.6	112.2	+0.2	—
Deposit Initial	139.7	147.0	...	—
Deposit Accum.	166.9	175.7	+0.1	—
GRE Pensions Management Ltd				
Pens. Managed Initial	367.3	386.6	+1.6	—
Pens. Managed Acc.	470.9	495.7	+1.5	—
Pens. Equity Initial	508.5	535.3	+3.9	—
Pens. Equity Acc.	593.8	625.1	+4.5	—
Pens. Fxd. Int. Initial	271.6	285.7	−0.1	—
Pens. Fixed Int. Acc.	317.0	333.7	−0.1	—
Pens. Int'l Initial	379.0	398.0	+1.2	—
Pens. Int'l Acc.	441.5	464.8	+1.3	—
Pens. Prp. Initial	161.0	169.5	...	—
Pens. Prp. Acc.	187.8	197.7	...	—
Pens. Ind-Lkd. Gilt In.	114.1	120.1	+0.3	—
Pens. Ind-Lkd. Gilt Ac.	124.1	130.6	+0.3	—
Pens. Dep. Initial	181.5	191.1	...	—
Pens. Dep. Acc.	212.0	223.2	...	—

Hearts of Oak Benefit Society
129 Kingsway, London WC2B 6NF 01-404 0393

Liberty Life Assurance Co Ltd
Station Rd, New Barnet 01-440 8210

Sel Sec A	33.2	35.0	...	—
Managed	27.3	28.8	+0.2	—
Equity	21.5	22.7	+0.1	—
Blue Chip	30.4	32.0	+0.1	—
Special Sits	30.2	31.8	...	—
International	38.9	41.0	+0.3	—
American	25.4	26.8	−0.1	—
Pacific	34.4	36.3	+0.2	—
Property	24.7	26.0	+0.3	—
Fixed Yield	22.2	23.4	+0.3	—
Index Linked Secs.	11.9	12.6	+0.1	—
Int Currency	17.4	18.4	−0.2	—
Deposit	18.3	19.3	+0.1	—

London A'dere & Nthn. Mtl. Assr. Ltd
129 Kingsway, London WC2B 6NF 01-404 0393

Asset Builder	209.0	218.5	...	—

London Indemnity & Gnl. Ins. Co Ltd
18-20 The Forbury, Reading 583511

Money Mgr Jan 15	116.5	125.6	...	—
MM Flexible Jan 6	91.27	97.3	...	—

London Life
100 Temple St, Bristol BS1 6EA 0272-279179

Assurances				
Equity		479.2	...	—
Fixed Int.		218.8	...	—
Property		240.0	...	—
Deposit		134.3	...	—
Mixed		336.1	...	—
Index Stock		128.8	...	—
International		176.9	...	—
Assurances—Series A				
Equity (A)		112.5	...	—
Fixed Interest (A)		98.2	...	—
Property (A)		107.1	...	—
Deposit (A)		103.7	...	—
Mixed (A)		108.5	...	—
Index Stock (A)		95.7	...	—
International (A)		111.9	...	—
Pensions				
Equity (P)		394.8	...	—
Fixed Int. (P)		247.8	...	—
Property (P)		164.2	...	—
Deposits (P)		168.4	...	—
Mixed (P)		284.4	...	—
Index Stock (P)		133.3	...	—

INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central Africans

Finance

Australians

Tins

Miscellaneous

High	Low	Stock	Price	+ or -	Div Net	Cvr	Yld Gr's
147	90	Anglo-Dominion	108	......	—	—	—
80	21	♥Colby Res Corp.	24	—1½	—	—	—
900	115	Cons. Murch. 10c	£1¾	......	Q60c	4.4	9.9
48	24	♥Ennex Int. Ir10p	46	......	—	—	—
175	70	Greenwich Res.	171	—2	—	—	—
327	165	♥Highwood Res.	247	+14	—	—	—
£20¼	£13½	Homestake Mining $1	£18⅜	+¼	Q20c	—	0.8
310	150	♥McFinley Red Lake	152	+1	—	—	—
285	113	♥Musto Explorations	123	—2	—	—	—
51	28	♥New Sabina Res C$1	43	......	—	—	—
955	200	Northgate C$1	925	+7	—	—	—
790	513	RTZ	749	—4	22.0	2.4	4.2
£164	£115	Do. 9½pcLn '95-2000	£158½	—1	Q9½%	15.5	-

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable, bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- • Highs and Lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ● Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ◆ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- ‡ Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ◆◆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	66	+4	Fin. 13% 97/02	£100¼	......
Craig & Rose £1	£14¾		Arnotts	395	......
Finlay Pkg. 5p	53		CPI Hldgs	60	......
Holt (Jos) 25p	840		Carroll Inds.	156xd	—2
IoM Stm. £1	78	+3	Dublin Gas	10	......
			Hall (R. & H.)	100	......
IRISH			Heiton Hldgs.	31	—2
Fund 11¼% 1988	£97½		Irish Ropes	146xd	......
Nat. 9¾% 84/89	£93¼		Unidare	350	......

"Recent Issues" and "Rights" Page 8

LONDON SHARE SERVICE

BRITISH FUNDS

1986/87 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
100⅞	97½	Treas 10¼pcCv '87	99[illegible]	.....	—	—
99[illegible]	92[illegible]	Exch 2½pc 1987	99[illegible]	...	2.51	—
101[illegible]	97½	Exch. 10½pc 1987	99¾	.....	10.51	10.92
100[illegible]	93¾	Funding 6½pc 85-87	99[illegible]	–[illegible]	6.55	9.66
101[illegible]	96[illegible]	Treas. 10pc 1987	99[illegible]	.....	10.02	10.51
97¾	90⅞	Treas 3pc 1987	97¾	+[illegible]	3.07	8.06
104[illegible]	99¾	Treas. 12pc 1987	101[illegible]	.....	11.87	10.43
99[illegible]	92[illegible]	Treas 7¾pc 1985-88‡‡	98[illegible]	–[illegible]	7.91	9.87
104	96¼	Exch 10½pc '88	100[illegible]	.....	10.48	10.35
102[illegible]	95[illegible]	Treas 9¾pc Cv '88	99[illegible]	+[illegible]	9.83	10.35
94[illegible]	86[illegible]	Transport 3pc '78-88	93[illegible]	+[illegible]	3.21	7.91
102[illegible]	93[illegible]	Treas. 9½pc '88	98[illegible]	+[illegible]	9.64	10.38
107[illegible]	98[illegible]	Treas 11½pc 1989	102[illegible]	–[illegible]	11.27	10.40
103[illegible]	93[illegible]	Treas 9½pc Cnv 1989	98[illegible]	.....	9.66	10.32
92[illegible]	82[illegible]	Treas 3pc 1989	90	+[illegible]	3.34	7.87
105[illegible]	95[illegible]	Treas 10½pc 1989	100[illegible]	–[illegible]	10.46	10.29
104[illegible]	94[illegible]	Exch 10pc 1989	99[illegible]	.....	10.07	10.34
107[illegible]	97	Exch 11pc 1989	101[illegible]	.....	10.84	10.34
99[illegible]	84½	Treas 5pc 1986-89	90[illegible]	–[illegible]	5.50	8.85
110[illegible]	94[illegible]	Exch 10¼pcCv '89	101[illegible]	–[illegible]	10.08	9.64
114[illegible]	103[illegible]	Treas 13pc 1990‡‡	106[illegible]	+[illegible]	12.17	10.26
108[illegible]	97[illegible]	Exch 11pc 1990‡‡	101[illegible]	+[illegible]	10.80	10.29
113[illegible]	101[illegible]	Exch. 12½pc 1990	105[illegible]	+[illegible]	11.81	10.27
89[illegible]	79[illegible]	Treas. 3pc 1990	85[illegible]	–[illegible]	3.51	8.15
100[illegible]	89[illegible]	Treas 8¼pc 1987-90‡‡	96[illegible]	–[illegible]	8.64	9.87
106[illegible]	93	Treas. 10pcCv 1990	99[illegible]	+[illegible]	10.09	10.29
86[illegible]	76[illegible]	Exch 2½pc 1990	82[illegible]	+[illegible]	3.04	7.99
112[illegible]	99[illegible]	Treas 11¾pc 1991	104[illegible]	+[illegible]	11.29	10.29
94[illegible]	83[illegible]	Funding 5¾pc '87-91‡‡	88[illegible]	–[illegible]	6.51	9.14
86[illegible]	79[illegible]	Treas. 3pc 1991●	81[illegible]	+[illegible]	3.68	8.19
101[illegible]	95[illegible]	Treas 10pc Cv '91	101[illegible]	–[illegible]	9.89	9.65
110[illegible]	96[illegible]	Exch. 11pc 1991	102[illegible]	+[illegible]	10.71	10.26

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

WEEKEND FT

Saturday January 24 1987

• MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV •

The last time I saw Paris

Edward Mortimer, who reported the 1968 uprising, sees parallels in France's present winter of discontent

'WHY DO we have to sit here and listen while you, from all the lofty height of your experience, instruct us in how to run our movement? This is what we're trying to get away from. You make me sick!'

The actual expression used in French was stronger than that, but the man on the platform at whom it was directed did not seem put out. His expression of benevolent, world-weary tolerance — which expression, as much as anything he had actually said, had probably provoked the outburst from the floor — did not change. If anything the smile broadened between the reddish-gold curls that framed his face.

For surely the voice that had just spoken was the voice he had come there to hear. What could Daniel Cohn-Bendit possibly be doing in the Amphithéâtre Richelieu of the Sorbonne, in January 1987, if he was not looking for the reincarnation of his 20-year-old self — the Nanterre sociology student (short-haired, then) who sparked off the great explosion of May 1968.

Come to that, what was *I* doing there if not looking, Dylan Thomas-like, for that 24-year-old novice correspondent for whom May 1968 in Paris was not only his first important story but an intense, Wordsworthian experience of being the right age in the right place at the right time? I too, in my fashion, was a *soixante-huitard*, drawn back to Paris by the irresistible if highly improbable thought that this treasured moment of my youth might be lived all over again.

Of course, if I had been a really bad case I should have dropped everything and rushed across the Channel at the first whiff of tear-gas — in late November or at least very early December. But there were other things on my mind, and I hesitated — and then it seemed to be over as quickly as it had begun. The government backed down. The students, having won their point and buried their martyred comrade, disbanded the ad hoc "coordination" set up to manage the strikes and demonstrations, and went back to their studies.

Of course, History does not repeat itself. But the same causes often do produce the same or similar effects. A spectacular retreat by government under the pressure of mass demonstrations does have a fairly obvious lesson for workers, especially in the public sector. In May 1968 it was in the few days after Georges Pompidou (then Prime Minister) had withdrawn the police from the Quartier Latin, and after workers — called out for the day by all the main trade unions — had joined students in a massive march through Paris to protest against police brutality, that the wildcat strikes and occupations of factories began, soon spreading until the whole economy was effectively paralysed. And last month it was a week after the solemn march in memory of Malek Oussekine that the train drivers at the Paris-Nord depot came out on strike—a strike which spread rapidly to affect the whole national railway network and, soon, other public services as well, notably the electricity board (EDF) and the Paris Métro.

Of course 1986 is not 1968, and December is not May. As for January, it can seldom have been less like June than this year: pedestrians flounder in the snow and the Seine is full of ice-floes—something not seen for a generation, at least.

Neither the economic nor the physical climate is propitious for the kind of unscheduled holiday which France awarded itself in that memorable spring 19 years ago. By the middle of last week the public service strikes had petered out without spreading to industry and without securing major wage increases—let alone anything like that extraordinary moment, on May 29 1968, when it became known that de Gaulle had disappeared and it seemed possible that the Fifth Republic would be swept away after a mere 10 years of existence.

Equally there is as yet no sign of the right-wing backlash which enabled de Gaulle to dissolve parliament and obtain a Gaullist landslide in the ensuing election. The great care taken by the students to avoid violence—and to dissociate themselves from violence when it did occur—has paid off; helped by the careful and extensive television coverage which the demonstrations received.

"May 1968 was a great radio event. This was television's finest hour," was a comment I heard from several leading figures in the opposition Socialist Party. For most of May 1968 television was conspicuous by its absence. Both journalists and technicians joined the strike, in protest against the tight control of public broadcasting maintained by de Gaulle's régime. It was the commercial radio stations (*périphériques*) that gave minute-by-minute reports on "the events," until the famous night when the Government pulled the plug, denying them the use of the Eiffel Tower transmitter on the pretext that they were helping the rioters by broadcasting details of police movements.

This time the television networks—not yet fully recolonised by the right-wing since its return to political power in March 1986—were both able and willing to do their job. Most viewers were left with the clear impression that the demonstrators were overwhelmingly non-violent; the violence which did occur was partly the work of small groups of "*casseurs*" quite separate from the main demonstrators, partly an excessive (and quite unjustified) reaction by some of the police units themselves. (In at least one case there appeared to be direct complicity between the two.) Predictably enough this has provoked some Tebbit-like complaints from the Minister of the Interior, Charles Pasqua, and from Government supporters in parliament. A questionnaire sent to the networks last week by a select committee of the Senate which asks, in the most minute detail, for information about who contributed what to the coverage of the student strikes and demonstrations, has caused alarm and vigorous protests among the TV journalists.

The public transport and electricity strikes in mid-winter offered a better hope of a backlash in the French government's favour, especially when there began to be reports of sabotage on the railways and power cuts in hospitals, and when—as in 1968—the Communist Party and its tame trade union movement, the CGT, tried belatedly to ride a strike wave they had neither initiated nor foreseen.

But the workers, like the students, sensed the danger of allowing their movement to be politicised; they returned to work, contenting themselves with only limited gains, just as the really cold weather began to bite. The protest marches of aggrieved public service customers, organised by the Gaullist party (RPR) and its right-wing rival, the National Front, when the strikes were already fizzling out, were the palest possible imitation of the great "human tide" which poured on to the Champs Elysées on May 30 1968 in an ostensibly spontaneous response to de Gaulle's appeal.

The French government has thus been unable to squeeze any political benefits out of the strikes. But neither did it have to make the kind of spectacular economic concessions, as the price of ending them, that Pompidou did in the famous *accords de Grenelle*, including a 7 per cent across-the-board wage increase (rising to 10 per cent after four months), reduction of the working week, extension of social security, and so on. Jacques Chirac, now Prime Minister, then one of Pompidou's bright young protegés, took part in those talks as Under-secretary of State for Employment. No doubt he remembers Pompidou saying, as the meeting broke up after an all-night session on the morning of May 27: "The price of what we have just agreed is a 7 or 8 per cent devaluation of the franc."

In those days of fixed rates the monetary consequences of social and political events were not always felt at once. But Pompidou was right. The effect of the strikes was to upset the financial stability and commercial balance so carefully cultivated by de Gaulle, widening the difference between the inflation rates of France and her main partner in the EEC, West Germany. Then, too, at the height of the Vietnam war, as a lame-duck President Johnson struggled to preserve his "Great Society" programme amid American upheavals and assassinations, the world monetary system was destabilised by the weakness of the dollar and a growing US balance-of-payments deficit. Then, too, the Americans tried to relieve the pressure on themselves by urging "surplus countries," notably West Germany, to revalue or reflate; and a weakened France, despite her official disapproval of America's spendthrift policies, found herself echoing the American argument that it was up to the Germans to take action.

The crunch came in November 1968. There was an all-night crisis meeting of finance ministers in Bonn. The Germans refused to budge. The French came back, on the Saturday morning, humiliated and resentful, believing they now had no alternative but to devalue. France-Soir depicted Professor Karl Schiller, the West German economics Minister, as "the arrogant face of triumphant Germany." Le Monde announced the exact amount of the French devaluation, to three decimal points. But Pompidou was no longer Prime Minister, and de Gaulle decided to overrule his own finance ministry. The credit for convincing him that the existing parity could be maintained has been claimed by Raymond Barre, then a close adviser of Jean-Marcel Jeanneney, the minister in charge of de Gaulle's pet project of regional reform (Barre is now, of course, Chirac's main rival for the leadership of French conservatism). A recent biography of Barre adds that Chirac, as a faithful Pompidolien, was the last to hold out against the decision.

But de Gaulle's triumph was short-lived. Staking his presidency on Jeanneney's reform project, he lost the referendum of April 27 1969, and resigned. Pompidou, the man who had made tactical concessions first to the students, then to the workers, became President — "it's like being cuckolded by your chauffeur" was de Gaulle's bitter comment—and within two months had carried through the devaluation which was the price he had all along believed it necessary to pay.

It would be surprising if Jacques Chirac, who rose in Pompidou's wake, has not felt haunted in the last few weeks by the memory of that earlier crisis. Chirac has tried to emulate his master, Pompidou, retreating in good order with his eye fixed on next year's presidential election. In theory his position should be much stronger against President Mitterrand than Pompidou's was against de Gaulle. Pompidou was de Gaulle's creature; he knew that it would be useless to appeal to the French Parliament against de Gaulle's decision to dismiss him, even though the overwhelming Gaullist majority was largely the fruit of his efforts. Chirac, by contrast, has already imposed himself on Mitterrand by winning an election against him.

In spite—or perhaps because—of that, Chirac appears paralysed by the events which have just happened. He has weathered the strikes, but at the price of abandoning or shelving his reform programme. Educational reforms are now out of the question. The train drivers may not have secured significant wage increases, but they did force the railway management to drop the new wage grid it was trying to introduce. Even the proposed nationality Bill on which Chirac was counting to win back votes from the French extreme right, is being held back and "remodelled" for fear of provoking a new series of massive student demonstrations. And in these days when the French franc is linked to the Deutsche Mark in the European Monetary System but vulnerable to the steep fluctuations of the dollar outside it, it takes much less than an *accord de Grenelle* to provoke a series of Franco-German monetary crises. The money markets are very quick to register even small changes in the political and social climate.

He must wonder what Pompidou would have done in 1968 if devaluation had not been available as a safety-valve, and if de Gaulle, like Mitterand now, had remained passive, and visibly enjoying his Prime Minister's discomfiture.

French politics always contain an important element of drama. Consciously or otherwise, people like to re-enact the dramas of the past. Paris in particular is a long-established theatre for revolutionary or pseudo-revolutionary happenings in which everyone plays their assigned part—police, students, trade unionists, parliamentarians, perhaps even foreign correspondents. The trouble is that under the Fifth Republic all the dramatic potential on the executive side—the power to dissolve parliament, call a referendum, proclaim a state of emergency—is vested in the President. Chirac is having to play a hand without aces, and what must make it worse for him is that this is precisely what Raymond Barre always said would happen. If Barre defeats Chirac next year in the first ballot of the presidential election—as now seems increasingly likely—the ghost of de Gaulle will at last have its revenge on the ghost of Pompidou.

PARIS:AM-STUDENTS;PARIS,DECEMBER 4 - Protestors throw tear-gas grenades at anti-riot police, near the ...des, in Paris, tonight, after the day-long demonstration by students protesting French educations reforms. REUTER jes/Mike Theiler 1986

The Long View

Morals drawn from the scandals

Investors who hope that the City will somehow be cleaned up as a result of the recent scandals are drawing exactly the wrong conclusion, according to Anthony Harris. They should read current events as a warning.

EVEN LORD Macaulay might have raised an eyebrow at the reaction to recent events in the City. He had remarked that there is no sight so ridiculous as the British public in one of its periodic fits of morality; but to see the investing public engaged in a similar display might have seemed to him too ridiculous to be credible. The markets were relatively primitive in those days, and nobody expected any morality. Nor indeed did they 60 years ago, when the Chairman of the New York Stock Exchange, Mr Richard Whitney, engaged in blatant share price manipulation, and could not believe it when New York's finest came to arrest him.

"Do you know who I am?" he protested.

However, in the wake of the Guinness mess, it is suddenly fashionable to be shocked. City dignitaries who quite certainly know better pretend never to have heard of such a thing. The Chancellor of the Exchequer, who was once a very canny financial journalist, rants about making insider dealing an arrestable offence. The Neill Report threatens Lloyd's with an ombudsman. City journalists call (rightly, in my view), for yet more heads to roll.

All of this makes splendid soap opera, and will no doubt give a salutary fright to the very well-paid gentlemen who handle money on our behalf. Some of them will no doubt remain in the grip of the almost unbelievable greed which has been exposed in one or two operators on both sides of the Atlantic, but they will keep the cloven hoof better hidden.

The danger is, though, that the spectators will draw quite the wrong morals from this entertainment. They may imagine that it is a detective story, with the inspectors from the Department of Trade playing the role of Miss Marple, unmasking wrongdoing in a peaceful English village. Arrest the culprit, and everything will return to normal.

Miss Marple herself would not have been deceived. "Your trouble, my dears" she remarked at the end of her last televised case "is that you believed what you were told. I gave that up years ago." The point of the Miss Marple stories, after all, is that every villager is a potential murderer; and life in the financial village is like that.

The most widespread City crime is insider dealing. We may not yet have reached the point of the Chinese investor, who asked to have the term explained to him. "Ah, yes," he smiled, as soon as he had grasped the meaning. "Of course, one must have information in order to deal. Only foolish people do otherwise." However, a study of share price movements ahead of announcements leaves no room for any illusion that this is a purely Oriental view. Those who possess inside information in London clearly normally act on it.

As regular readers will know, I find it impossible to work up any indignation about this. Informed dealing makes prices more realistic, and the only important victims are professionals. Since the Big Bang they are worried enough about their profit margins, and equipped with enough electronic information, to impose their own sanctions. What they will be trying to achieve, I fear, is to ensure that they get the news first.

The Guinness case is not about insider dealing, but about price manipulation, and this, as I pointed out last week, is indeed a form of economic sabotage. A false price is a lie, and markets cannot make informed decisions if they are fed with lies. Fortunately, however, the opportunity is almost entirely restricted to contested takeover bids, and it looks like being some time before we see any more. This is a consequence not only of scandal, but of tax reform; the recent rise in the market — a predictable result of the reform of Corporation Tax — means that shares no longer trade at a large discount to asset values.

The scandals may abate, then; but this does not mean that the markets will become a safe place for innocents to roam. Hungry brokers will still be tempted to churn your portfolio to generate commission. If an underpriced issue goes to a ballot, it will still be found from time to time that certain stockbrokers have been astonishingly lucky in the draw. You will still lose money when you trade with an investor who knows more than you do. If you are trying to sell your company to the public, you will still be stung for fat underwriting fees on an issue that is heavily oversubscribed.

Investors used to have quite a robust attitude to this kind of thing. They noticed that company chairmen who might be lining their own pockets tended to line those of their shareholders too.

If you find this kind of tolerance morally offensive — and on some wet days I do myself — you should reflect a little about the nature of any stockmarket. Its purpose is to enable enterprising men to raise capital, and in some years — notably the record year just past — it is very good at this. These men would not create wealth so enthusiastically if they could not cash in on their achievements through the market. It is not the only way to organise capitalism, but it works.

It does carry two consequences, though. One is that the main business of the market is not raising new capital, but churning out old securities. This secondhand market provides the liquidity which encourages investors to buy new shares in the first place. This leads to the fact that the market handles astronomic sums. The little rake-offs I have mentioned so heartlessly are tiny in percentage terms.

As long as the market is run by shrewd operators rather than graduates in theology (who would make a terrible hash of it), they will continue to find ways to get a bit richer than the rest of us, and neither self-regulation nor supervision will stop it. The recent triumphs of the American SEC are only a measure of its earlier failures. But one rule, borrowed from cricket, must apply if any pretence of gentlemanliness is to be preserved when you're caught, you're out.

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FINANCIAL TIMES

Saturday January 24 1987

ALC investigates Guinness link

BY DAVID LASCELLES AND RALPH ATKINS

ALEXANDERS Laing & Cruickshank, one of the stockbroking firms which has been linked to the Guinness affair, has launched an internal investigation to ascertain its possible connection with illicit share dealing operations.

The firm said last night that if the findings warranted, the results would be passed on to the Stock Exchange. It would not say who was heading the inquiry or the exact nature of its brief.

ALC was connected to the Guinness affair through Mr Tony Parnes, a self-employed associate of the firm. He has said he was the stockbroker who arranged for Mr Gerald Ronson, the chairman of Heron International, the UK's second largest private company, to buy up to £25m of Guinness shares with an agreement that Guinness would make good any costs and losses.

This arrangement, which was designed to support Guinness's share price during last year's bid for Distillers, could be in breach of the UK Companies Act which forbids a company from buying its own shares, or helping others to buy them.

ALC said Mr Parnes' status with the firm would be decided in the light of the findings of the inquiry, which would be concluded as speedily as possible. ALC is a subsidiary of the Mercantile House financial services group.

Morgan Grenfell, the merchant banking group which advised Guinness during the Distillers bid, yesterday announced further top level management changes in the wake of this week's resignation of Mr Christopher Reeves, the chief executive, and Mr Graham Walsh, the head of corporate finance.

Sir Peter Carey, the former civil servant who heads the newly-created executive committee, is to be chairman of Morgan Grenfell and Co., the group's merchant banking subsidiary. He replaces Mr Charles Rawlinson, who is retiring on medical advice as joint chairman of Morgan Grenfell and Co. He will be group vice-chairman.

Mr David Keys, 52, who runs the bank's credit committee, and Mr Jon Perry, 47, who is in charge of the banking and capital markets division, have been appointed directors of the group.

The appointments are designed to strengthen senior management and fill the gaps on the board left by Mr Reeves and Mr Walsh. The group said further appointments would be made shortly as a result of a management review being conducted by a committee headed by Lord Catto, the group chairman.

The key question of whether a successor to Mr Reeves will be sought from outside the bank or from among existing management will be addressed next week. No obvious internal candidate appears to have emerged, and an outsider may be needed to emphasise the desire for a new direction.

It looks less than good, Weekend section, Page IV

Takeover policy changes 'rejected'

By Peter Riddell, Political Editor

COMPETITION LOOKS certain to remain the primary reason for referring a takeover bid to the Monopolies and Mergers Commission despite calls from all sides of the House of Commons for a wider range of factors to be taken into account.

No decisions have emerged from the official review of competition policy launched last year, but senior ministers see no convincing alternative to the present approach.

This conclusion has been reinforced rather than undermined by the controversy surrounding the now abandoned bid by BTR, the industrial conglomerate, for Pilkington, the glassmaker. Ministers feel that the dropping of the bid has vindicated the Government's view that issues other than competition are best left to the markets.

Mr Paul Channon, the Trade and Industry Secretary, decided at the end of last week not to refer the bid to the Monopolies Commission.

Senior ministers, including apparently Mrs Margaret Thatcher, feel that if the grounds of reference are broadened beyond monopoly and competition, there is a risk of introducing an arbitrary element as was widely alleged before the present rules were introduced in 1984. The view is that rules need to be consistent and clearly understood by the market.

Mr Channon, in a speech in London yesterday to a Centre for Policy Studies Conference on Industrial Policy, strongly defended the post-1984 policy for avoiding previous problems of unpredictability. He said it was "surely right that in general it should be the shareholders and not bureaucrats who should decide the ownership of companies."

The only exception to the competition yardstick has been the use of highly unusual methods of financing as proposed in the Elders bid for Allied-Lyons. This bid was cleared by the commission last September after a nine-month investigation, although Elders dropped it when it bought Courage, the brewing company, from Hanson Trust.

Ministers are highly sceptical of suggestions from a number of senior Tory backbenchers for widening criteria for referral to include factors such as research and development and the special position of small- and medium-sized firms.

The Government believes inclusion of such factors would increase uncertainty and penalise such companies in, for example, raising capital by affecting their share price prospects.

Channon speech: IEA mergers study, Page 4

THE LEX COLUMN

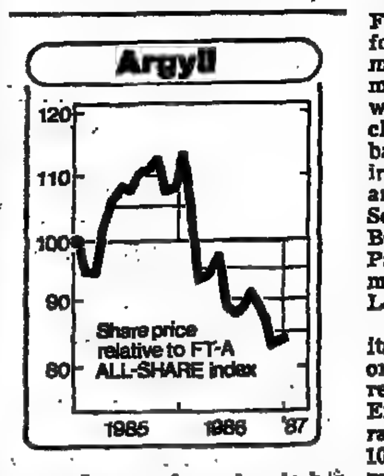
Argyll finds a safe way out

Takeovers are such a dubious commodity at present that the ease with which Argyll financed its £681m Safeway purchase yesterday was a pleasant surprise; the London market's capacity to absorb large equity issues has not entirely shrivelled in the heat of scandals. In fact, the Argyll share price had been strengthening for some weeks as it became more probable that the Safeway transaction would take place, only to falter just as the deal was being struck, when the news inevitably started to leak out. In the end, it was possible for Argyll to increase its equity by 95 per cent in around half an hour, and end the day with its share price 25p to the good, on 366p.

Since there are clear possibilities for cost reductions — particularly in distribution — and margin improvements to be obtained by moving Argyll's Presto stores towards the Safeway mix of produce, it looks as if Argyll should be well justified in taking on the pro forma dilution that is implied in paying a multiple of 24 for Safeway. There was still a long way to go before Presto came anywhere near the net margins of the first division food retailers, and ingesting the Safeway chain will close part of the gap at one swipe. It is also a brave decision to abandon much of the work already done in establishing the Presto brand identity, and realistic of Argyll to see that Safeway offered a quicker way forward.

It is a moot point whether the vendors might not have done better to extract roughly the same price from the only untrammelled buyer months ago, instead of waiting for such as Dee and Tesco to drop laboriously out of the race. They could certainly have saved a bundle of the financing costs associated with the parent company buyout.

Index rose 21.8 to 1425.9



Equities

The UK equity market may have reached another new peak but rarely has domestic news been less relevant. Wall Street's direction of the UK market is currently so complete that London's advances—once invariably started before lunch—now tend to wait upon its afternoon opening. Even the UK institutional liquidity which has buoyed up the market every January for a decade has fallen victim to corporate over-funding and most of the heavy buying has come from the US and Japan. In gilts, too, foreign buying helped push yields to under 10 per cent but for want of domestic follow-through the yield gap remains dauntingly wide.

The rise in the UK equity market—7 per cent in January—actually slowed to less than 1 per cent this week and without Wall Street going bananas would certainly have slipped back to a less complacent level. The good news—oil, sterling (at least in part), the interest rate trend, and the political outlook—has now been so completely discounted that apparently some salesmen have forgotten that Mrs Thatcher has not actually won the election. Yesterday's rogue poll—putting Labour five points ahead—and the dawning realisation that a slim Tory majority might transform the politics of the market could yet undermine the current unshakeable confidence in the future.

Scandals have certainly failed in that respect and, surprisingly, BTR's withdrawal from the Pilkington bid has also failed to knock the bid froth off a number of cherished targets. In spite of the near universal belief that BTR's retreat marks the temporary end of mega-mergers, any further gain by Labour in the polls could well provoke a last-minute rush to buy any available companies before the election.

Lloyd's

The officials who drafted the Financial Services Act have found in Sir Patrick Neill the most attentive reader any permanent under-secretary could wish for. Did he study so closely the parliamentary debate that produced it? Hidden in Hansard is an intriguing amendment, secured by the Securities and Investments Board, and germane to Sir Patrick's list of 70 recommended reforms for Lloyd's of London.

The SIB was anxious about its powers to intervene in two or three years' time a self-regulatory body — the Stock Exchange, for instance — was rating only seven marks out of 10. The SIB could withdraw recognition of the SRO but that was an ultimate deterrent possibly too devastating to use. The SIB could ask judges for a compliance order — but that might take many months.

The same may be true of Lloyd's after Neill. What if Lloyd's falls just a little short of Neill's demands? What if in five years' time it falls out of step? Will the Paul Channon of 1988 — or of 1997 — really exercise the ultimate deterrent of statutory control?

The SIB's elegant solution, conceded by the Government, was that it should have an intermediate power—to require an SRO to alter its rules without seeking a court order first. Neill has implicitly ruled that out by giving the SIB no powers in Lime Street. But Sir Patrick likes half-way houses; Mr Channon's problem is to give the SIB some extra role in Lloyd's affairs without taking final power from the 28-strong Council of Lloyd's. Suggestions may be submitted on the back of a used insurance brokers' slip.

Guinness

While others argue whether takeovers are a good way to reorganise British industry, Sir Norman Macfarlane has retained the taste for them. No, Guinness is not on the acquisition trail again. Sir Norman's other company, Macfarlane Group (Clansman), announced a £1.9m deal yesterday afternoon. Not much scope for £25m to go missing there.

Oxford and UEI call off talks on merger

By Nikki Tait

THE PLANNED merger between two of Britain's fastest-growing high technology groups —Oxford Instruments, best known for its super-conducting magnets used in body scanners, and UEI, the electronics and engineering group — has been called off.

An announcement that the two companies were holding talks was made on Monday and it was initially suggested that details would be finalised by Thursday.

Yesterday afternoon however, separate statements were issued by the two groups. According to Oxford directors, a merger with UEI "would not be in the best interest of the company, its employees or its shareholders."

The industrial logic of the proposed deal, it added, was outweighed by the long-term benefits of remaining independent.

A merger would have created a combined group with a market capitalisation of £450m.

UEI said it was disappointed not to have reached a positive conclusion. It had proved difficult, added the company, "to establish terms satisfactorily to UEI's shareholders, taking into account the current level of Oxford's share price."

Mr Peter Michael, chairman of UEI, said: "It's been a hard week, with very friendly discussions, but it would have been a merger and in the end the deal has to be based on relative share prices."

Given that some sort of share swap would probably have been involved, the feeling in the City was that the terms acceptable to Oxford proved too high for UEI.

Although the two companies are roughly the same size, Oxford has recently encountered problems in the US body-scanner market—a core part of its business. There has been considerable scepticism about the industrial benefits from a link although the deal was seen as timely for Oxford.

Yesterday UEI shares rallied 10p to 372p, having stood at 386p before the merger news.

Oxford fell 8p to 423p compared with 435p on Monday morning.

Nigeria expected to put limit on payment of overdue interest

BY MICHAEL HOLMAN AND TONY HAWKINS IN LAGOS

NIGERIA is expected to tell a debt rescheduling meeting next month that it proposes not to make overdue interest payments exceeding $30m (£20m) on its multi-billion dollar uninsured trade debt.

Instead, it will seek to capitalise the payments — add the sum owed to its debt total.

The meeting marks the final and potentially most contentious stage of complex negotiations to reschedule the country's external debt, which some estimates put at $22bn. A successful rescheduling of the Paris Club of Western creditor governments and commercial bank debt, already agreed in principle, and also of the trade arrears, is vital to an economic recovery programme drawn up with the aid of the World Bank and endorsed by the International Monetary Fund.

Estimates of the trade arrears, which began accumulating in the early 1980s as a result of Nigeria's declining oil earnings, varies considerably. Creditors are claiming insured and uninsured debt totalling more than $9bn, but Nigerial officials are expected to tell next month's meeting that its Central Bank estimate is nearer $4bn. That assessment will be strongly challenged.

Creditors are also likely to be told that the bank wants the reconciling exercises completed by March 31. This will not be treated as a cut-off date, however, and Nigerian officials stress that what they term "legitimate and authentic claims" will continue to be recognised after that date.

News that the Government is unable to meet interest payments on promissory notes already issued against reconciled debts will worry creditors. Western bankers and diplomats in Lagos say it illustrates the country's foreign exchange problems. Export earnings — mainly from oil receipts — have fallen from a peak of $25bn in 1980 to a forecast $5bn to $6bn this year, assuming an oil price of $13 per barrel.

Trade creditors are, howevr, expected to be told that Nigeria will resume nominal interest payments on its unsecured debt once the rescheduling is in place.

Nigerian officials in Lagos say they are in a position to issue promissory notes in respect of much of the arrears but that it would be inappropriate at present while arrangements to restructure the country's short-term debt are being completed.

Nigeria has issued $1.5bn of promissory notes in respect of uninsured trade debt and $460,000 of insured arrears. Last September Nigeria said it was unable to make the first repayment of principal on notes issued against uninsured trade debt. Earlier this month it emerged that interest payments on the notes of $30m were over two weeks late.

Central bank officials said yesterday that while some $95m of interest payments had been made since the December meeting of the London Club of Nigeria's commercial bank and trade creditors, the country's current cash flow was such that it would seek to capitalise overdue interest payments.

It is understood that Nigeria expects to reschedule a total of $4bn of trade arrears—$1.2bn of insured debt and $2.8bn of open account trade arrears. This figure falls well short of the $9bn to $10bn claimed by exporters to Nigeria.

Philippines in $1bn debts deal

BY GEORGE GRAHAM IN PARIS

THE PHILIPPINES yesterday reached agreement with its government creditors in the industrialised world on the rescheduling of nearly $1bn (£655m) of official debts.

The agreement is on less favourable terms than those requested by the Philippines, but better than those reached in 1984, officials said after the talks at the Paris Club, which brought together 14 of the country's industrialised creditor nations.

The rescheduling will be spread over 10 years, including a five-year grace period, with 100 per cent of repayments of principal and 70 per cent of interest payments falling due between this month and June 1988.

The agreement is an important success for Mrs Cory Aquino's Government and comes as she is wrestling with the most serious crisis of her 11-month presidency.

She has set up an inquiry into the deaths of 12 demonstrators shot outside the presidential palace and is anxious for stability in advance of the referendum on February 2 on her plans for a new constitution.

The Philippines delegation in Paris, led by Mr Jaime Ongpin, the Finance Minister, goes on to meet a World Bank consultative group, including multilateral aid agencies and individual donor countries, next week. It is expected to seek nearly $2bn of aid pledges.

The country reached agreement last year on an economic and financial adjustment programme backed by a stand-by arrangement with the International Monetary Fund.

Creditor countries at the Paris Club yesterday "noted with satisfaction" the implementation of this programme and the efforts of the Philippines Government towards economic recovery.

The Philippines is felt by Western governments to have succeeded in the main objectives of economic stabilisation and to have eliminated the heavy inflation of 1983 and 1984. They believe economic growth of 5 per cent a year is possible this year and in succeeding years.

Alexander Nicoll adds: The Paris Club accord will smooth the way for a new round of rescheduling talks due in February between the Philippines and its 12-member advisory committee of bank creditors.

These are still expected to be difficult, however, even though differences between members of the committee have been resolved.

Relations with the banks broke down in November when Citibank, a member of the committee, which is chaired by Manufacturers Hanover Trust, held out against softening proposed terms on $3.6bn of debt.

The banks are now believed to have settled among themselves on an interest margin of 1⅛ percentage points above money market rates.

Continued from Page 1

Paper mill

highly successful drive to promote new investment in the wood processing industry."

This campaign followed the closure in 1979 of the Wiggins Teape pulp mill at Fort William and the shutting down of plants in England between 1980 and 1982. Until yesterday's decision about £450m had been invested in new timber processing plants over the past few years. These include the newsprint mill of United Paper Mills, also of Finland, at Shotton on Deesside, using Welsh and Scottish timber. That is the only mill so far in the UK making paper proper from local trees. With the Irvine mill it is thought that there will now be enough plants to absorb most of the UK timber industry's output over the next 10 to 15 years.

Kymmene also said yesterday that it is to build a new 200,000 tonne fine paper machine at its main production site at Kuusankosi in Finland, at a cost of $180m (£118m). Group capacity in uncoated fine papers would be unchanged

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES					
Anglia TV	410	+ 21	LWT	611	+ 16
Argyll Group	366xr	+ 25	Lex Service	334	+ 15
Ault & Wiborg	105	+ 14	Lucas Inds	543	+ 23
BOC	405	+ 13	Octopus Publishing	584	+ 34
Barker (Charles)	136	+ 18	P & O Defd	568	+ 15
Braithwaite	248	+ 39	Polly Peck	157	+ 9
Brunning	185	+ 15	Saatchi & Saatchi	797	+ 57
Cadbury Schweppes	227	+ 12	Smurfit (Jeff)	405	+ 22
Chancery Secs	181	+ 25	Thames TV	359	+ 27
Courtaulds	368	+ 14	Thorn EMI	564	+ 18
Crowther (J.)	178	+ 12	Ward Hldgs	362	+ 42
Fothergill & Harvey	268	+ 20	Wellcome	292	+ 12
Glaxo	£12¼	+ ½	FALLS		
Goal Petroleum	60	+ 7	MS Intl	70	− 15
Jaguar	580	+ 14	Newmark (Louis)	258	− 30
			Wettern Bros	151	− 22

WORLDWIDE WEATHER

UK today: Mainly dry and cloudy, fog in places. Outlook: Clearer, colder weather spreading south.

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	13	55	Dallas		—	—	Madeira	F	18	64	Perth	S	25	77
Algiers	S	18	64	Dublin	C	8	46	Madrid	C	7	45	Prague	F	1	34
Amsdm.	C	6	43	Dbrvnk.	S	10	50	Majorca	C	13	55	Reykjvk.	C	7	45
Athens	S	11	52	Ednbgh.	C	6	43	Malaga	S	15	59	Rhodes	S	12	54
Bahrain	S	17	63	Faro	F	13	55	Malta	F	14	57	Rio J'o		—	—
Barclna.	S	12	54	Florence	S	7	45	M'chstr.	C	4	39	Rome	S	11	52
Belfast	S	8	46	Frankft.	Dr	−1	30	Melbne.	F	16	61	Salzbrg.	C	−3	27
Belgrd.	C	−3	27	Geneva	C	−2	28	Mx. C.		—	—	S F'cisct	F	9	48
Berlin	Dr	2	36	Gibraltar	C	15	59	Miami†	F	14	57	Seoul	C	1	34
Biarritz	S	9	48	Glasgow	C	5	41	Milan	S	−1	30	Singapr.		—	—
Bmghm.	C	5	41	G'rnsey	Fg	5	41	Montrl †	Sn	−6	21	S'tiago		—	—
Blackpl.	Fg	4	39	Helsinki	S	−9	16	Moscow	C	−6	21	Stckhm.	F	−8	18
Bombay	S	29	84	H. Kong	F	23	73	Munich	C	−2	28	Strasbg.	C	−4	25
Bords.	S	−2	28	Innsbrk.	C	−5	23	Nairobi		—	—	Sydney	S	21	70
Boulgn.		—	—	Invrnss.	C	8	46	Naples	S	12	54	Tangier	S	18	64
Bristol	Dr	6	43	I.o Man	Fg	5	41	Nassau		—	—	Tel Aviv	C	14	57
Brussels	Dr	3	37	Istanbul	C	1	34	Nwcstl.	R	6	43	Tenerife	Dr	19	66
Budpst.	Sn	−3	27	Jersey	C	5	41	N Delhi	S	18	64	Tokyo	R	7	45
Cairo	F	16	61	Jo'burg	F	27	81	N York†	F	−2	28	T'ronto†	C	−8	18
Cardiff	C	5	41	L. Plms.	C	20	68	Nice	S	11	52	Tunis	F	14	57
Cape T.	F	22	72	Lisbon	R	9	48	Nicosia	S	15	59	Valencia	F	13	55
Chicago†	F	−19	−2	Locarno	S	1	34	Oporto	S	12	54	Venice	S	2	36
Cologne	Dr	1	34	London	Dr	7	45	Oslo	S	−5	23	Vienna	C	1	34
Cpnhgn.	Sl	0	32	L. Ang.†	C	10	50	Paris	C	0	32	Warsaw	Sn	−3	27
Corfu	F	9	48	Luxmbg.	Fg	0	32	Peking		—	—	Zurich	C	−4	25

C—Cloudy. Dr—Drizzle. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

Dollar

Continued from Page 1

in Japanese rates. The expectation in financial markets is that further pressure on the US dollar will force Japan to act.

Official concern in Europe about the possibility of another wave of speculation against the US currency was reflected in a call from Mr Mark Eyskens, Belgium's Finance Minister, for an early meeting of the Group of Five nations. Mr Eyskens is president of the European Community's finance council.

Other European monetary officials, however, said that no such meeting was planned and expressed doubts as to whether such talks could bridge the present divide between Washington on one side and Europe and Japan on the other.

Yesterday the dollar closed at DM 1.8255 up 1.2 pfennigs from Thursday, while against the yen it rose to Y153.05 from

The pound, which fell sharply in early trading in reaction to the opinion poll, later recovered much of its lost ground, but its apparent vulnerability has ruled out an early cut in UK interest rates. The sterling index closed at 68.9, down from 69.1 on Thursday.

Argyll to buy Safeway

Continued from Page 1

the future of its drinks division, which includes Barton Brands. The group said it might not be feasible to build an international drinks business at an acceptable cost.

Safeway Stores announced in November that it was willing to sell its UK supermarkets. The sale is part of the US company's plan to raise funds to meet interest payments on its $4.7bn (£3.1bn) debt following the leveraged buy out of the company. There were a number of prospective buyers of the UK business including Tesco, the UK supermarkets group, which this month announced it was withdrawing from the auction.

The acquisition of Safeway creates a supermarket group with some 291 stores and a turnover of more than £2.8bn a year. The combined stores will command around 9 per cent of the UK market for dry packaged groceries, a market which is led by J Sainsbury, Tesco and Dee Corporation. Argyll has been building its supermarket chain since 1982, when it acquired Allied Suppliers. Since then it has lifted the division's annual operating profit from £18.4m to £58.1m out of a group operating profit of £66.9m in the year to March 29 1986. Safeway UK in the year to September 30 1986, made a pre-tax profit of £43.8m from its 131 stores.

Argyll will convert 160 of its Presto Stores to the more up-market Safeway trading name and concept. Mr Alistair Grant, chief executive of Argyll, said: "Safeway will provide the foundation for a quantum improvement in both the quality and profit potential of Argyll's food business." Smaller Presto outlets may be converted into Argyll's Lo-Cost discount stores.

Mr Grant said the two businesses — Safeway with its origins in the south and Presto in the north — had a geographic fit. There would also be operational benefits such as a stronger purchasing and marketing power. The deal, subject to approval from the Monopolies and Mergers Commission, was generally welcomed in the City. Argyll's share price closed at 366p a share, up 25p on the previous day.

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Richard Lambert, David Lascelles and Peter Riddell answer some anxious questions about the Guinness affair

It looks less than good

1. Does Guinness matter? And is it just the tip of the iceberg?

The scandal raises issues of broad public importance about the running of big companies and the conduct and ethics of the City of London. It is now clear that the takeover battle for Distillers last year was not decided simply by free market forces. Instead, the share price of Guinness was manipulated so as to give shareholders in Distillers a misleading impression of the value of its bid.

Such action violated the City's voluntary takeover rules to such an extent that the whole future of the takeover code is now in question. More seriously, it appears to have breached several sections of the Companies Acts on a large scale. Although it is not yet clear who knew what was going on, the bid involved some of the best known names in the City.

Despite the scale of the illicit deals, there is little evidence that such price rigging is a regular part of big bid battles. However, the takeover business has become bigger, more lucrative, and dirtier in recent years. Merchant banks have seemed more anxious to win individual battles than to preserve a system which depends on a measure of self restraint. More people have been willing to challenge the rules. Guinness may turn out to have been an extreme example of a more general trend.

2—What laws have been broken?

No criminal action has yet been definitely established. But the evidence, confirmed by Guinness itself, points to breaches of the Companies Act: specifically section 151 which forbids a publicly quoted company from buying its own shares or helping others to buy them. The penalty is a fine and/or imprisonment for the company officers responsible.

The section is designed to prevent companies manipulating their share price or surreptitiously reducing their capital. Guinness set up an elaborate £200m scheme to compensate

Ivan Boesky, the disgraced US arbitrageur

Robin Leigh-Pemberton, Governor of the Bank of England

investors who bought its shares at the height of its bid for Distillers last year, in order to boost its share price.

3—Could Guinness have got away with it?

For many months Guinness did get away with it. It was not until last November, six months after the bid, that information began to leak out. It came from two sources: the Henry Ansbacher merchant bank, which became suspicious of certain deals and reported them to the Bank of England; and from the US, where the securities authorities were investigating Mr Ivan Boesky, the share trader who had dealings with Guinness. In the long run, though, Guinness would have had difficulty concealing transactions of this size from its auditors.

4—What is the role and power of the Bank of England?

The Bank plays no direct legal role in the affair since the Companies Act falls within the province of the Department of Trade and Industry. But the Bank is involved in two ways: as supervisor of merchant banks connected with Guinness; and in its broader role of "steward of the City." The Governor of the Bank, Mr Robin Leigh-Pemberton, pushed for this week's resignations of executives at Morgan Grenfell and Henry Ansbacher, and demanded the internal inquiry which Morgan set up last week. There is a suspicion in the City, though, that the Bank is also acting as hatchet man for the Treasury, which wants to see some blood flowing in the City for political reasons.

5—What other, better ways could the City be regulated?

The City's critics are calling for stricter statutory regulation instead of the system of self-regulation set up last year for the Big Bang. A US-style SEC, they argue, would provide better rules and stronger enforcement. But the Government wants to give the new system a chance, arguing that it is tougher than it looks: it is backed by statute; inspectors have strong powers to search for and seize information; the newly-created Securities and Investment Board will be able to prosecute. But if action is needed for political reasons, raising the Takeover Panel, which oversees the conduct of takeovers, to the level of a statutory body may be one answer.

6. What more is there to come?

With the revelation of the full extent of Guinness's £200m share-buying operation, the scale of the affair is now known. But many details remain to be filled in. These include the full identities of those who helped Guinness buy shares, how the deals were financed, and precisely how widespread the knowledge of these operations was in the institutions involved — namely Guinness itself, Morgan Grenfell, its merchant bank, Cazenove, its stockbrokers, and Freshfields, its solicitors. Although there have already been eight resignations as a result of the affair, more are still possible.

7—What does it mean for private investors?

The only people directly affected are shareholders in Guinness. Their shares have dropped by about a fifth from the high point, and they still face a somewhat uncertain future.

More generally, the impact should be limited. There are not likely to be many big takeover bids in the next few months. The balance between statutory regulation and self regulation may well shift as a result of what has happened, but not in a way that will mean much to private shareholders. The scandal does not appear to be undermining public confidence in the financial markets.

As for the price of a bottle of Guinness, that depends on how much—if at all—the company's profits are hit by exceptional costs.

8—What could it mean for the Government?

The Guinness affair has caused considerable political stir in response to the unfolding revelations. But so far there is little evidence of any direct damage to the Government. Ministers are able to point to their promptness in appointing inspectors, and to their willingness to pass information of any criminal wrongdoing to the appropriate authorities even before the full inquiries are completed. Hence most Tory MPs are backing the Government's approach — though they are looking for prosecutions before long.

In the long term, however, many Tory MPs think that the Guinness and other affairs will intensify pressure for a fully statutory system of regulation. There is some embarrassment, though, that Mr Paul Channon, the Trade and Industry Secretary, has had to debar himself from commenting on what has become an important issue for his department, because of his close links with the Guinness family.

Conservative backbenchers are also concerned that the Government's image will be tarnished, in view of the popular identification of their party with the City. Labour MPs have been quick to argue that while not directly responsible for the affair the Government has encouraged the atmosphere of greed and sleaze and the pursuit of short term gain, which led to the events.

Nikki Tait on the aftermath of Pilkington

Grief as well as joy

FOR 23,000 private, non-employee shareholders in Pilkington, it has been a glum week.

On Monday morning, a holding of 1,000 shares, say, would have been worth £7,100; by Wednesday evening, following the withdrawal of BTR's bid, it had slumped to £6,580. Small shareholders may buy the argument that a long-term investment will prosper better under incumbent management than Sir Owen Green but it is a rare investor who says good-bye to the option of a quick profit without a twinge of regret.

Worse, there is a widespread suggestion that BTR's withdrawal from the Pilkington fracas—and a similar move by Gulf Resources over IC Gas—could herald the end of the mega-bid syndrome. If so, small private shareholders will almost certainly see a dent in their profits. It is not just the sums involved which have made the recent bid boom so welcome, but the type of companies it encompassed. Large blue chips—like Woolworth, Distillers, Debenhams, or even Pilks—have a knack of cropping up in a large number of portfolios. And bid rumours have produced trading opportunities among plenty of other big companies, previously viewed as impregnable.

In fact, merely tracking the mega-bid scenario has been an easy route to quick profits. Take an investor—minus any lucrative insider dealing information—who invested £1,000 every time a contested bid worth, say, £300m-plus was declared. He buys the evening after the announcement and either takes the highest cash offer or sells immediately the bid is withdrawn (but holds throughout Monopolies Commission inquiries).

His profits would look something like this:

United Newspapers/Fleet (£317m) . . . £316. Guinness/Bell (£360m) . . . £276.

Burton/Debenhams (£565m) . . . £86. Gulf Resources/IC Gas (£750m) . . . £70.

GEC/Plessey (£1.18bn) . . . £88. BTR/Pilkington (£1.1bn) . . . £80.

Standard Chartered/Lloyds Bank (£1.3bn) . . . £82. Elders XIL/Allied-Lyons (£1.8bn) . . . [illegible]

Dixons/Woolworth (£1.8bn) . . . £218. Argyll/Guinness/Distillers (£2.5bn) . . . £248.

United Biscuits / Hanson Trust / Imperial Group (£2.6bn) . . . £230.

TOTAL: £1,325.

And that assumes he simply adheres to a mechanical rule. With a modicum of nous—taking the share alternative and selling in the market, for example, or buying when very firm bid rumours emerge—he could easily beat those figures.

Reasons for suspecting that this particular source of small shareholder profit has ground to a halt, are clear enough.

First, the City is firmly focused on the forthcoming election. That may not affect a potential bidder directly, but he will almost certainly be advised that some three-quarters of his target's shares are held by institutions.

Knowing that these shareholders are keenly aware of the political ammunition which the merest sniff of City profit-taking currently supplies, makes it a lot easier to sell the "long-term" industrial defence—particularly if, as with Pilkington, there is good measure of truth.

Similar arguments have already found their way into other outstanding contested bids, like Barrow Hepburn's defence against Yule Catto. No doubt there is a price for everything but—as Sir Owen Green's canvassing proved this week—in today's climate it can be too high.

Second, there is a degree of uncertainty about takeover practices. This started in the aftermath of the Turner and Newall/AE bid, when Hill Samuel, adviser to AE, was censured for indemnifying certain third parties for purchases of AE shares. The revelations at Guinness have since grabbed the spotlight; only this week Mr Ronson, head of Heron International, revealed that he was paid by Guinness to purchase its shares during the Distillers bid.

That sort of deal is clearly in breach of the Companies Act, which forbids any company from giving financial aid to any purchaser of its shares. But the extent to which City "fan clubs" — whose purchases are properly declared — can now operate on informal undertakings is a muddy area. And what about merchant banks themselves — who again declare their purchases of a client's shares, but obviously have a vested interest by way of their fees?

"I think," says one merchant banker, "that we're all going to be very wary for a while." Adds another: "There's a sense of caution about doing things now which are perfectly legal, but which could be misconstrued. That's an important inhibitor."

Rather more fundamental is the argument that the supply of companies with vastly-utilised assets is running thin. The likes of Distillers and Imperial Group were sitting targets once size became no barrier to a bid attack. But since then, others in the firing line—like Allied-Lyons or, more recently, GrandMet with last week's £791m Heublein deal—have hit the acquisition trail themselves. That makes them a very large swallow indeed for any potential predator.

Finally, there is a recent trend to shop in the States. Throughout 1986, UK companies spent a total of $12bn on trans-Atlantic acquisitions—almost three times the figure in the previous year. Top of the tree was Unilever's giant $3.1bn deal for Chesebrough-Pond's.

So should private investors now sit back — and just hope that gingered-up managements at least produce an improved rate of dividend and earnings growth? For a while perhaps. But a few perennial bid targets do remain — already this year there have been flutterings of interest in the likes of Boots, Rowntree, Cadburys and Sears.

Then there remains the heap of Antipodean investors who to date have cut a somewhat unsuccessful swathe in the City. Adelaide Steamship recently trimmed its stake in Blue Circle Industries, but news of two separate stakes held Down Under have proved a hefty boost to Hill Samuel. Given the fundamental need to find fresh fields outside their home territory, the Antipodean interest is unlikely to die away.

And opportunism — in the face of an attractive price will always remain rife. Comments one banker engaged in the BTR / Pilkington skirmish: "There was a lot of talk about the end of the mega-bids when Woolies saw off Dixons, but then Sir Owen Green has a shot at Pilks. I'm not convinced myself." Private investors can only hope he is right.

John Edwards picks a way through the Personal Equity Plans on offer

Complex choices

SELECTING a Personal Equity Plan (PEP) is a bewildering business. It is a new scheme, which most people don't understand properly. Even worse, it is a complicated scheme, plagued with complexities. Meanwhile, the number of different schemes available continues to grow.

So how do you choose? This depends on several different factors:

- Do you want to invest in shares?
- Are you a first-time investor or do you have an existing portfolio of shares or unit trusts?
- What is your tax position?
- How much money can you spare to stay locked away for at least a year, without drawing any income?

Only when you have answered those basic questions, should you consider whether or not to take advantage of the tax concessions offered by the PEP scheme and start to look at the alternatives.

Even then you have a problem, because so far with new schemes continuing to be announced, no comprehensive list has been compiled. In fact, comparisons between the different schemes are difficult since there is no past track record of investment performance in this new field with its many restrictions and regulations.

One company, for example, with a good unit trust performance may not necessarily be best in picking a portfolio with a limited number of shares.

The only available comparisons between the different schemes are the scale of charges, the number of options available for investment, and the limitations on the amount of money you can invest.

Rosemary Burr, a former Financial Times writer, in a timely guide* published this week, reviews all aspects of the PEP plans announced by the end of December. She has decided to split them into three categories: advisory; discretionary and specialising in unit trusts. There is an element of duplication, since some companies offer all three alternatives, but it is a useful method of helping you to choose according to your individual requirements.

It highlights the fact that there are very few advisory schemes, where you are free to make your own choice. Only five are mentioned in the book, but they do not include the Pointon York "City Slicker" scheme announced last week, or the Yorkshire Bank customer choice scheme.

Each scheme is described in a particular formula covering the sponsoring company profile; details of the plan; and the charges. This makes comparisons easier but inevitably some of the other plusses and minuses tend to be missed.

First monthly edition of PEPGUIDE was published this week by Chase de Vere Investments. It compares details in tabular form of PEP schemes currently available from 22 groups and will be updated each month. A free copy of PEPGUIDE can be obtained from the company at 63 Lincoln's Inn Fields, London WC2A 3BR, or by telephoning Freefone Peptalk, an associated service that provides further or updated information.

So which schemes are the "pick of the crop," according to the book? The most straightforward comparisons are PEPs investing solely in unit trusts and here the criteria used for selection are the costs and the avoidance of double charging. M and G and MIM Britannia are quoted as "clear winners."

Not highlighted is the fact that three groups, Bank of Scotland, Charterhouse (subsidiary of the Royal Bank of Scotland) and Yorkshire Bank enable you to acquire unit trusts at a discount to normal charges in their PEP schemes.

For advisory, or do it yourself, schemes the best bet are the clearing banks with low cost dealing facilities, and Lloyds Bank are put ahead of the pack.

With discretionary plans the track record of the investment company is a key factor, but you should then take account of charges and flexibility of choice. It is important to bear in mind share dealing charges, which are excessive in some cases.

The book notes Barclayshare as the only group sending out contract notes, with a full explanation of the reason for the share transaction.

Barclays is allowing its PEP scheme members to attend shareholders' meetings and vote at no extra cost, in contrast to many other groups which are imposing considerable extra charges for this service.

Also worth bearing in mind is the cost of withdrawing early or transferring to another scheme (the exit charge).

Not fully brought out in the book is the difference in portfolios available. Some companies offer the choice of only one unit trust and one or two shares. On this basis the Prudential scheme has a lot to recommend it with your money going into a spread of some 20 shares.

*Guide to Personal Equity Plans 1987 by Rosemary Burr, price £3.99 (plus 50p for packing and postage) from Rosters Ltd., 60 Welbeck Street, London W1 (935 4550) or direct from W. H. Smith.

Packaged plan

A UNIT trust and a Personal Equity Plan wrapped in a single package. That is the unusual approach adopted by the Framlington group for its contender in the PEPs market.

As foreshadowed in December, Framlington has persuaded the Department of Trade and Industry to authorise a unit trust created specially for the PEPs scheme. This week PEP 87, as it is called, was officially launched. Units are available at a fixed price of 50p until February 13 and thereafter will be sold at the ruling offer price.

Tim Miller, managing director of Framlington, says that the specially formulated PEPs unit trust attempts to express the spirit behind PEPs by including provisions to get policyholders more directly involved with their investments. For a start there will be an annual general meeting and detailed reports of the trust's shareholdings.

Even more unusual is that referenda may be called among holders to make a decision on contentious issues such as a take-over bid. Mr Miller said that had the trust already been going, holders may well have been polled to find out their views on the BTR bid for Pilkington, if the trust held shares in either company.

The trust will invest in British shares only but will have the power to go into any quoted company. It will not, for example, be confined to companies which are prepared to supply sufficient copies of annual reports. Instead Framlington will provide a detailed annual report on the progress of the underlying company shares held.

Somewhat unusually, in view of the tax free concessions which enable dividend and interest in PEP schemes to be reinvested gross, the fund manager John Cornes has decided to concentrate on long-term growth stocks creating a core holding, in spite of the fact that he is best known for his success with the high yielding Framlington Monthly Income Fund. It is an even more peculiar strategy, given that the PEP unit trusts run for one calendar year only and then are closed to new buyers. They will effectively move into a situation of net redemption that will restrict the flexibility of the fund manager.

It is hoped that once established for the minimum qualifying period, the yearly PEP unit trusts will gradually over the years be merged into one single big fund. In the early years, however, Framlington seems to be relying heavily either on picking winners or investors staying in and not taking their tax-free profits at the earliest opportunity.

Another problem for the investor is that you are restricted to putting in a lump sum only of £420 each year. Framlington is hoping the Chancellor may make an exception and lift the amount that can be put into a special PEP unit trust in the forthcoming Budget.

In spite of Mr Miller's contention, that the PEP unit trust will have a special advantage not available to other PEP schemes, if it fails to perform well investors are in a difficult position. They will be locked into a fund which is gradually shrinking and losing flexibility. Other groups are offering a choice of unit trusts for PEP scheme investors, including international funds in case the UK market turns sour.

John Edwards

Better hopes for Swiss market

SWITZERLAND was one of the more disappointing stock markets last year, although sterling investors benefited from the strength of the Swiss Franc. However, the EBC Amro Unit Trust Management believes that this was mainly a reaction to the sharp rise in 1985 and that the market is poised to move strongly ahead again this year.

Accordingly, the group has decided to launch another specialised unit trust to take advantage of the expected upsurge. Called the EBC Amro Swiss Growth Trust, it will be available at a fixed offer price of 50p during the launch period until February 17, plus a 1 per cent discount. Minimum investment is £500.

This is the second UK authorised specialist Swiss fund to be introduced this year, reflecting the belief that with a general election looming British investors may have an added incentive to put money into a traditional safe haven. The structure of the Swiss stock market makes it difficult, or nearly impossible, for the private individual to invest there, so the only real way is via a fund.

Pacific investment

MENTION THE Far East and most investors immediately think of Japan. But there are several other growing stock markets in the Pacific Basin area, many of which clocked up creditable performances last year.

The Govett Pacific Strategy Fund, introduced this week, will seek to capitalise on the expected growth in the non-Japanese markets in the region. With China awakening to the capitalist world, and investment pouring in from Japan and the West, it is argued that there will be considerable opportunities.

However, it does not seem a venture for widows and orphans, since the fund's philosophy is that the managers will not be required to hold or maintain a portfolio, balanced either geographically or by sector. In other words they have to pick the right ones, and judging by past experience even the experts can be confounded by developments in these volatile markets.

There is an initial offer price of 50p per unit during the launch period until February 13, during which you will also receive a 1 per cent bonus in extra units. Minimum investment is £500, but you can also contribute as little as £25 a month through the John Govett regular investment scheme.

Strategic switch

HENDERSON is the latest group to launch an "umbrella" offshore fund. Called the Global Strategy Fund, it allows UK investors to switch between six equity and five cash sub-funds.

However, it could be an expensive exercise if you pick the wrong fund and want to change your portfolio. There is a £25 administration charge on each switch, unlike several other umbrella funds which offer free switches. But there is no initial charge if you invest in one of the currency funds, compared with a 5 per cent entry fee into the equity funds. An unusual feature, for an offshore fund, is that the portfolios will be quoted in sterling making it easier for the UK investor to track performance.

Minimum investment is £1,000, or its equivalent in other currencies. The prospects will be available for three weeks to February 13.

IN THE NEWS

Home thoughts

MANY expatriates when they return to Britain after living abroad for a few years are horrified by the way UK house prices have risen in their absence, making it difficult for them to return. To avoid this trap they often retain their UK residences, frequently at considerable trouble

NM Schroder claim that its new International Residential Property Fund, available on subscription between January 26 and February 24, will help solve this problem by providing a "perfect hedge" for British expatriates who may wish to return later and buy a house in the UK.

Initially the fund will concentrate on investing in prime residential properties in and around central London, Wimbledon and parts of Surrey.

Schroders already has a UK residential property fund, which was launched last January, but the the company says the international version will be a more suitable vehicle for non-UK residents, corporate bodies and trustees, as well as British residents whose financial circumstances make life assurance inappropriate.

The international fund is a public limited company, but is open-ended so that investment is made or disposed of by the purchase or sale of the shares. No capital gains tax is payable on disposals of the investments.

Initial offer price is £1 per 1p participating share. This includes a premium of 93p plus the managers' somewhat hefty initial charge of 6p.

Terry Byland on Stock Exchange "hammerings"

Sentence of doom

THE "hammering" of Giles and Overbury, the first Stock Exchange firm to be declared insolvent since Big Bang, was not, by general consent, a big drama.

While inevitably painful for the partners, the collapse of what is claimed to be London's oldest broking house seems unlikely to cause significant loss either to other Exchange members or to the investment public.

Nor did the announcement of the failure carry the same elements of melodrama as in days gone by. The flight from the Exchange trading floor since Big Bang meant that most traders learned of it from their SEAQ screens, in the comfort and privacy of their own offices. Any other firm fearing a loss from involvement with Giles and Overbury could at least bite its nails in private.

Pre-Big Bang, when the Exchange floor was the highly visible arena for market firms, a hammering meant a moment of silence followed by pandemonium as traders rushed to telephones to warn their "back offices" to identify any exposure to the luckless bankrupt.

In due course, the Exchange Assignee would post a list of "hammer prices," at which member firms would have to settle any outstanding bargains with the insolvent firm. Later, perhaps, would come a call on the Compensation Fund, which paid out only to investors, and not to Exchange members.

The last major hammering came six years ago when Hedderwick became insolvent after problems in its gilt-edged department. But for a truly brutal, old-style hammering, market memories turn back to the mid-Seventies, when the UK Stock Exchange flinched in the face of the first oil crisis and the secondary banking crash.

The departure from the City scene of such once-famous names as Chapman Rowe, or Mitton Butler, Priest, came in 1974 — a vintage year for hammerings. And, for those with longer memories, 1929 saw hammerings on all sides as the world financial systems tottered.

Before 1968, when the Exchange moved into its new building, hammering meant what it said. Two Stock Exchange waiters, in full regalia, would begin a slow, dignified march to appointed positions at either end of the trading floor. Three blows of a gavel on the rostrum would silence what was then a boisterous trading floor.

Slowly the official notice would be read out. The full name of the firm, together with any trading nomenclatures, followed by the merciless, dismissive, "unable to meet its obligations." And then, the names of the partners would be read out — cruel, perhaps, but pertinent in those days of unlimited partnerships when every partner was financially liable "down to the last trouser button."

Nowadays, three rings on an electric bell have replaced the dread blows of the gavel. The Giles and Overbury announcement was read out on the tannoy system to a trading floor less than half full by pre-Bang standards. Since their senior executives were already reading the statement on their SEAQ screens, floor traders had no extra function to perform and soon returned to such business as reaches the trading floor these days.

Future decisions as to when to make a London broker insolvent may be taken many hundreds of miles away from the Square Mile. In fact, future hammerings may resemble prudent decisions by overseas bankers rather than moves by the Exchange to protect investors.

Perhaps Stock Exchange hammerings, like humbugs and public hangings, are doomed to oblivion.

We are unlikely to see any repetition of the financial demise of Horrible Harris, the small jobber who went under in the 1920s for a mere £300—"because nobody liked him, so nobody would help him when the time came."

But his case is balanced by the broker who emerged from his hammering session with the Council to find a "For Sale" notice hanging on his car. The difference is that he had friends.

Save and adapt

ALLIED DUNBAR Assurance, under its chairman and chief executive, Sir Mark Weinberg, has become one of Britain's largest life companies in a very short space of time, less than two decades.

Yet its product range has been far from complete, missing certain elements particularly in the fields of group pensions and protection. The growth has been achieved through concentration on savings-orientated products.

Now Allied Dunbar is filling in one of the gaps with the launch of its Adaptable Term Plan. It is a pure protection contract paying out only on the death of the investor within the term of the contract.

There are two main reasons why Allied Dunbar has, to date, ignored this part of the life assurance market. It has been fully occupied producing its life and pensions savings contracts. The term market is also highly competitive and dominated by the composites and the non-commission paying life companies.

However, the polarisation requirements of the Financial Services Act mean that Allied Dunbar's direct sales force, known as associates, will only be able to sell Allied Dunbar products. It is a fact that Sir Mark, as deputy chairman of the Securities and Investments Board, knows only too well.

The company, therefore, is being forced to fill those gaps in its range before the act comes into operation later this year. It has produced a highly competitive product, both in price and range and flexibility.

Many life companies, including Allied Dunbar, have endeavoured to provide protection and savings under one contract using the universal life approach. However, Allied Dunbar's life marketing director, Mr Malcolm Cooper-Smith, in launching the new plan, pointed out that in many cases this approach is not possible, or desired, by the investor.

The cost may be too high. The minimum premium on the Adaptable Life is £24 a month, compared with £10 a month on the Adaptable Term Plan. The investor may only want specific protection for a limited period, such as until his children have grown up. Allied Dunbar feels that there is a need for both types of contract in its product range.

The premiums assume that the value of units will increase by 8.25 per cent. This is the standard 7.5 per cent growth assumption, plus the 0.75 per cent management charge added back. Being a term assurance contract, however, the deduction for expenses and mortality should swallow up most of the units.

The terms of the scheme will be reviewed once every five years, with premium and cover adjusted for changes in expenses, mortality and investment performance. The review will occur annually in the last five years of the cover period.

While the premiums quoted throughout the range of ages, terms and cover levels are competitive under the Adaptable Term Plan, the overall effect of the total linking principle, compared with the more traditional actuarial methods of premium calculation, is to increase the competitiveness for older ages, longer terms and higher cover levels.

The tables show the current term rates for non-smokers of the leading life companies. Allied Dunbar has introduced two rating structures for non-smokers and smokers in line with market practice, despite the fact that it is a subsidiary of BAT Industries, the tobacco based group.

ANNUAL COST OF TERM COVER OF £90,000 OVER 19 YEARS

Man aged 29—non-smoker		Man aged 44—non-smoker	
Company	Premium £	Company	Premium £
Medical Sickness	77.70	Equitable Life*	307.80
Friend's Provident	78.40	Scottish Equitable	308.00
Equitable Life*	78.60	Scottish Mutual	311.30
London Life*	79.60	American Life	312.30
Commercial Union	82.90	Medical Sickness	315.30
GRE	83.87	Zurich Insurance	328.90
Scottish Equitable	84.45	Phoenix	334.00
Allied Dunbar	86.28	Friends Provident	335.80
		Allied Dunbar	337.70

* Same rate for smokers and non-smokers.

Source: Money Management

Eric Short

Eric Short looks at the need for careful pension planning

Self-employed look to future

ONE FEATURE in the changing UK industrial work pattern, brought about by the industrial recession, has been the growing numbers of self-employed people. Over the past seven years or so. the number has increased from 1.9m to 2.75m and is expected to rise even further.

The self-employed have a host of financial problems in getting their businesses started, keeping it running, and expanding their operation. The provision of pensions is low down in their list of priorities. Yet there are two very valid reasons why the self-employed should take steps to build up a pension as soon as possible.

First, the self-employed get from the state scheme only the basic pension, currently £38.70 a week for a single person and £61.95 a week for a married couple. So they need to make their own pension provision to ensure a decent income in their old age.

The adage that the business will provide the pension has been around for some time. But relying on the ultimate sale of a business to provide a pension is both risky and tax-inefficient. It is far better to use some earnings from the business to provide the pension.

Second, as with all pension arrangements, the earlier the start, the greater the ultimate benefit. Contributions made in the early years are proportionately more valuable than those in the later years.

Successive governments have provided general tax incentives to encourage the self-employed to make pension provision. The investor gets tax relief at his or her top rate on the contributions; investment is made in tax-exempt funds, and part of the ultimate benefits can be taken as a tax-free cash sum with the remaining pension taxed as earned income.

However, to get the full tax benefit, the self-employed have to make their pension savings through a contract with a life company. Other forms of investment, even the new Personal Equity Plans, are not completely tax-efficient for pension purposes.

Life companies report that they do most of their self-employed pensions business in the final days of the tax year. So over the next few weeks, we will be discussing the various aspects of pension provision for the self-employed, dealing this week with the contribution aspect.

Tax relief is granted on contributions made up to the limit set out below.

Year of Birth	% of Eligible Earnings
1934 or later	17½
1916-1933	20
1914-1915	21
1912-1913	24

The computation of eligible earnings can be complicated, but generally it is the self-employed person's gross earnings adjusted for capital allowances and costs directly connected with the business.

Contributions are paid gross to the life company, with the self-employed claiming the tax relief under his tax assessment for the year—one reason why the self-employed leave the payment of contributions until near the end of the tax year.

If the self-employed do not make the maximum contributions in any year, they can carry forward unused relief for up to six years. However, they must pay the maximum contribution in the current tax year before claiming earlier unused relief.

The sequence of carry forward for contributions being made now is that the maximum contribution must be paid for 1986-87, then any unused reliefs for the first eligible year, 1980-81, then for 1981-82, and so on.

Unused reliefs can also be used under a carry-back provision. Under this arrangement, the self-employed can carry contributions from the current tax year back to the previous tax year. The main advantages of carry back are that the self-employed can get the actual relief quoted earlier and, if tax rates are fallen, the relief can be credited at a higher rate.

The earnings of many self-employed people fluctuate considerably from year to year. Life companies have designed their contracts to allow the maximum possible flexibility in paying contributions. The carry back provisions enable the self-employed to get maximum tax relief, while fitting in the actual contribution payments with their cash flow patterns.

The self-employed can commit themselves to making a regular commitment contribution each year, topping up the single premium payments after assessing their financial situation in the tax year. Or they can make single lump sum contributions each year, with no commitment for payment in future years.

Nex week, we will consider the benefit structure of self-employed pension plans.

Pension battle

CROWN FINANCIAL is seeking to steal a march on its rivals in the forthcoming battle for personal pensions business. It is endeavouring to persuade employers to set up their scheme a year early by offering a 2 per cent incentive for a year out of its own resources.

The Government's brave new pensions world officially comes into being in April 1988, and many of the life companies feel that the biggest sales battle will be targetted on employers currently without a company pension scheme. Such employers are to be offered an extra 2 per cent contribution by the Government for the five-year period from April 1988 as an encouragement to come out of the State Earnings Related Pension Schemes (Serps) and set up their own company schemes instead.

Life companies feel that this incentive (or bribe according to your political outlook) will be a decisive factor in making up employers' minds. However, the life companies also expect that most employers will not make up their mind until the last minute and there will be a mad rush to get schemes established in time to receive the full five years incentive payments.

But the general rule in pension provision is that the earlier the start, the better the benefits or the lower the cost. Crown Financial Management, whose life company is a leader in providing pension schemes for smaller companies, claims that the changes already made in pension provision enable employers to set up a company money purchase or final salary scheme, now, that can be contracted out of the present Serps arrangement providing the necessary minimum equivalent state pension, known as GMPs, can be guaranteed.

Crown Financial is prepared to give this guarantee subject to the minimum contribution to the company scheme being 10 per cent. This is higher than the anticipated minimum contribution that will be required in April 1988, expected to be in the range 5¼ to 5½ per cent. But Crown Financial feel that companies require a far higher overall contribution rate than this figure in order to provide adequate pensions for their employees.

In addition the incentive from Crown Financial will take the form of a reduction in contributions, in contrast to the proposed Government incentive of an additional contribution. Thus on changeover in April 1988, any scheme set up with Crown Financial on minimum contributions will be subject to little change in outlay.

Crown is making these schemes operative from April 1987 for administrative reasons and the incentive will not apply to employers applying for schemes after this date. But this does not stop employers from setting up schemes before that date. Although the investment will start in April, Crown Financial will provide free death-in-service cover on ployees for the interim period.

The group feels that it will get value for money on its incentive outlay from the saved administration expenses of getting schemes set up a year early, as well as giving it a head start over other life companies.

Eric Short

CHESS

HASTINGS' New Year congress, the world's oldest chess tournament, had a welcome boost this year with generous sponsorship from Foreign and Colonial, the investment trust group whose managing director Kevin Pakenham is a keen player. The outcome was a competitive event where the lead changed hands several times while the British kept up their momentum from the Dubai olympics. At the end, the top group of eight included three Russians and four Britons, an indication that our new position as the No 2 world chess nation is being maintained.

Final scores were Chandler, Larsen (Denmark), Lputian and Speelman 8/13, Chiburdanidze and Mestel 7½, Gufeld and Plaskett 7, Adorjan and Kudrin 6, Hodgson and Petursson 5, Conquest and Large 4.

Larsen and Chandler were the top seeds, Speelman is British champion, while Lputian is a fast-rising talent; but the real star of the show was Maia Chiburdanidze, whose result was among the best ever by a woman. The 25-year-old Georgian showed great tenacity after a first round loss to Larsen in a marathon 90 moves. Gradually she caught up the leading group, defending well in inferior positions and outplaying several British masters.

Chiburdanidze, woman world champion, is a celebrity in her home city of Tbilisi, where she is a member of the local parliament and is qualifying as a doctor. Along with Pia Cramling of Sweden and Zsuzsa Polgar of Hungary, she has proved that women can hold their own with all bar the top dozen or so grandmasters. All three are young, ambitious and talented so Maia's remarkable Hastings performance may be excelled before long. In this week's game she refutes an unsound attack with the calm authority of a great player.

White: P. G. Large (England). Black: M. Chiburdanidze (USSR).

Sicilian Defence (Foreign & Colonial Hastings 1986-87).

1 P-K4, P-QB4; 2 N-KB3, P-Q3; 3 P-Q4, PxP; 4 NxP, N-KB3; 5 N-QB3, P-KN3; 6 B-K2, B-N2; 7 B-K3, O-O; 8 O-O, N-B3; 9 Q-Q2, NxN; 10 BxN, P-N3.

White's 9 Q-Q2 is a solid line and Black's P-N3 is an unusual reply. Best now is 11 B-B3, B-N2; 12 N-Q5, P-K3; 13 NxN ch, BxN; 14 QR-Q1 with a slight space advantage.

11 P-B4, B-N2; 12 P-B5 (better 12 B-B3, P-K4; 13 B-K3), R-B1 (so that if 12 B-B3, R-B5 threat NxP); 13 B-Q3, Q-B2; 14 QR-K1, N-N5 !

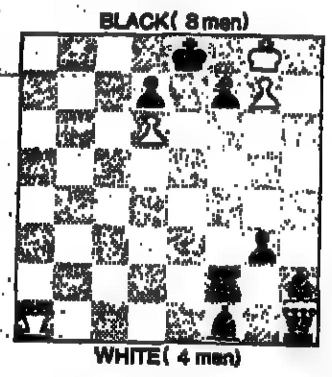
Conventional wisdom is that Black should keep his fianchettoed king's bishop in the Sicilian for as long as possible, but here the exchange gives Black's queen and knight the run of the dark squares.

15 BxB, KxB; 16 R-B4, N-K4; 17 R-R4, P-KR4; 18 K-R1, Q-B4; 19 R-KB1, N-N5; 20 N-Q1, Q-K4; 21 N-K3, NxN; 22 QxN, P-Q4; 23 P-B3, QR-Q1.

Black now threatens 24 P-Q5; 25 PxP, QxQP; 26 QxQ, RxQ with a very favourable ending, so White decides to sacrifice. It appears promising, but the champion demonstrates that the lost rook is offset only by a few threats and checks.

24 RxP ? PxR; 25 Q-N5 ch, K-R2; 26 PxP, Q-B3; 27 QxP ch, K-N1; 28 R-B3, KR-K1; 29 R-N3 ch, K-B1; 30 Q-N4, P-K4; 31 BPxP en passant, R x QP; 32 Q-N8 ch, K-K2; 33 PxP, R-KB1; 34 R-K3 ch, R-K4; 35 Q-N3, RxR; 36 QxR ch, Q-K3; 37 Q-N5 ch, Q-B3; 38 Q-K3 ch, K-Q1; 39 B-N5, RxP; 40 Resigns.

BLACK (8 men)



WHITE (4 men)

PROBLEM No 656

White mates in four moves at latest, against any defence—a test of chess logic, composed by J. Halumbirek.

Solution Page XXIII

Leonard Barden

Up, up and away

Wall Street

AS STOCK *prices reach for the* stars. Wall Street analysts are giving up on their attempts either to *justify* or to question the market's judgment. Suspend disbelief, trust the market and stay with it—this has been the way *to make* big *money* in the incredible and record-breaking buying frenzy which has broken out since the beginning *of* the year.

Dan Marciano, chief trader at *Prudential Bache, expressed the* overwhelming sentiment colourfully and boldly on Thursday, as the Dow Jones Industrial Average spared over every imaginable short-term target and *scored its biggest*-ever one day gain in terms of points: "This market has moved beyond reason and beyond logic. You just trade the tape and don't try to fight it."

In normal circumstances, of course, the shrewd investor reaches for his sell orders when he hears this kind of language bubbling out of the market. And he probably starts *selling short* when he notices that the main form of competition among the brokerage *houses on Wall Street* is now a bidding war in bullish market forecasts. Will it be 3300 *for the Dow by yearend?* Do I hear 2500? Is there a bid for 3000 in 18 months? How about 3700 by 1990?

All these and other predictions have duly been publicised during the last few days and *some of the cannier institutional* investors have definitely been raising cash as the market has *roared upwards. Yet the ingre*dients do not seem quite to be in place just yet for the kind *of apocalyptic reaction* which can usually be expected after a genuine speculative mania.

Certainly the *mere fact* that the Dow has climbed without a respite for an unprecedented period provides no *certain indi*cation that a serious reversal is in store. It is worth remember*ing the date of the previous* record breaking streak of 12 straight daily rises in the Dow which has just been beaten by the current market runup. It occurred in November 1970 a good two years before the great bull market of the 1960s finally collapsed.

Even the contrarians are forced to admit that there may still be money to be made in *the present market. For* despite the unrestrained enthusiasm of many brokers, large numbers of *investors* and economists continue to express profound scepticism about the market's future. Many funds are still less than fully invested and even those *fund managers who* are strongly bullish from a medium *term perspective* assert, at least for the record, that they expect a short term correction soon.

Given the presence of such doubts there remains plenty of new demand for stock after any minor reversal as we saw after the minor bout of profit taking in the middle of this week. More *importantly, there may* still be a good deal of institutional and private money ready to come *into the market for longer term* investment once the many sceptical investors finally sucumb *to the bullish trend.*

It will only be after the sceptics are finally won over that the *technical conditions* for a genuine bear market will be in place. Nevertheless, from a technical standpoint, the warning clouds are certainly gathering. According to one of the best measures of market sentiment available, a survey invest*ment newsletter* compiled by Investors Intelligence, a firm in New Rochelle, New York, the market *could soon turn down*wards because there are few bears left to be won over.

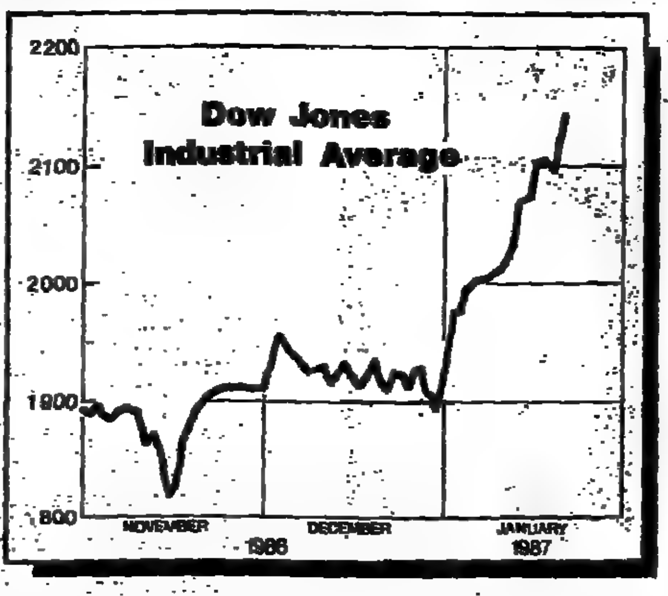
Of the 135 investment advisers tracked by Investors Intelligence, 62.9 per cent are now bullish, while only 12.9 per cent are bearish and the re*maining* 24.2 per cent are looking for a correction in stock prices. Normally a bullish *reading of above* 53 *per* cent, combined with a bearish reading below 20 per cent, is considered a sign that the market is near its top. Unfortunately, such indicators of sentiment, like every other approach to market forecasting, are notoriously prone to error. In fact, they indicated back in May last year that the great market rally might already be over.

The fact remains, however, that stock prices have now entered uncharted regions, where market psychology is at least as important as economic forecasting or fundamental financial analysis to any understanding of what might be going on.

And as suggested by the continuing unpopularity of IBM and General Motors, investors are well aware of how individual companies are doing in response to these opportunities. But *even* in the area of individual stock selection, responding to the sentiment is vitally important. In particular, for anyone who remains unconvinced by the contrarian case for getting out of the market altogether, the equally contrarian case for buying IBM, a company which in spite of its current problems is bound to *survive any conceivable* worldwide economic shakeout, is becoming hard to resist.

MONDAY	2102.50	+25.87
TUESDAY	2104.47	+ 1.97
WEDNESDAY	2094.07	+10.40
THURSDAY	2145.67	+51.60

Anatole Kaletsky



D-mark dampens exports

Frankfurt

THE WEST German stock market may not be going anywhere much these days, but there have been plenty of talking points so far in 1987. Currencies have been moving jerkily, shares of the newly quoted Puma sports shoe company plummeted after a disastrous US sales performance, and the Government said it would sell large slices of the Veba energy company and Volkswagen.

Overhanging the market—or rather the eight markets, since Frankfurt and Düsseldorf are not the only bourses—has been the continued strength of the D-mark and the accelerated slide in the dollar.

Since a firmer D-mark means a *tougher time for exporters,* share prices took a tumble early in the week. Not that the decline in the dollar was anything new. Since the start of 1986, the US currency has fallen from DM 2.45 to under DM 1.85.

But the latest fall was looking unstoppable. Allied to the D-mark's latest, small revalua*tion* within the European Monetary System, it means sectors which are highly export-dependent such as cars and machinery are looking more and *more* vulnerable.

Still, Tuesday's near-30 point slide in the Commerzbank index to 1,897 points was followed by a modest recovery, as the prospects of a German interest rate cut increased. In the end, the Bundesbank made its expected half point reduction though the dollar then fell further. On Friday, the index stood at 1,912.

With the export *outlook* dampened by the firmness of the German currency, attention has *switched to retail and consumer*-oriented stocks. Construction, too, long one of the weakest industrial sectors, is also putting on a better performance.

The direct effect of the dollar on German exports is modest, since the dollar area (the US and countries which have devalued as much or more than the dollar) accounts for only 15 per cent. Nearly 70 per cent of exports go to Western Europe, mainly France and the Netherlands.

But the indirect effects are causing problems. The *Japanese are stepping up their* sales efforts in Europe, as they find access to the US, whether *for currency or other reasons,* more difficult. Thus Japanese cars have taken a bigger slice *of the German market,* where there are no import curbs.

Because of the worsening ex*port situation, estimates* of likely earnings growth this year have been downgraded. Citi*bank, for example, sees only* an overall 2 per cent, though others are not quite so down*beat. "The full impact of the* exchange rate shifts will be felt in coming months," warns Dieter Wermuth, head of investment management at Citibank in Frankfurt.

But while the German bourses may lack the fizz of the past few years, top German *companies are seen as solid,* determined and innovative enough foreign money, mainly US and UK with the Japanese now taking more of an interest, seems to be in German stocks *for the long haul.*

Compared withthe US and the UK, the eight German bourses have a *fairly limited range* of stocks from which to choose.

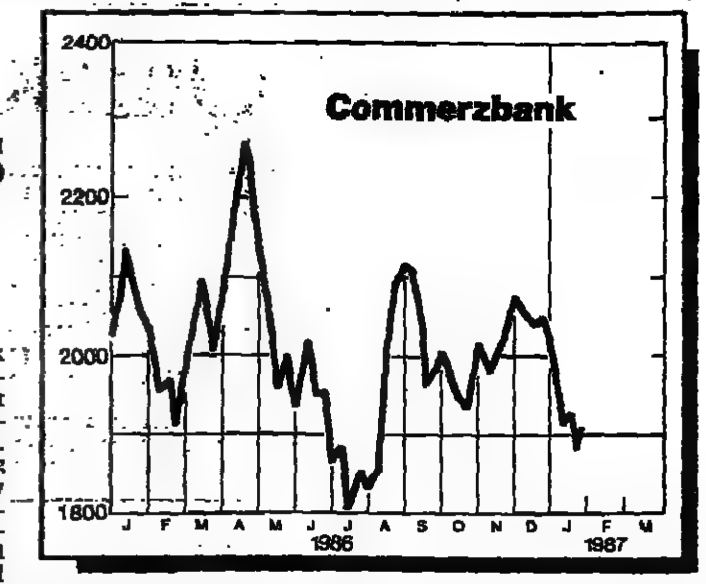
One 1986 issue that soared to prominence was Puma, brought to the market by Deutsche Bank at DM 310. The preference shares went quickly to DM 1,550 last summer before *easing to around half this level.*

Last week, however, they fell spectacularly by around DM 160 to DM 450 on news of heavy losses in the US, caused partly by the dollar and partly by a failure to follow trends in fashion-oriented aerobic shoes.

Being such a *tiny issue,* Puma's dismal performance is to weather most problems in *foreign markets. The constant* appreciation of the D-mark and the reputation and success of German goods abroad *are* long-term factors that attract foreign investors.

In dollar terms, the German market was up by around a quarter last year. Part of the recent selling, in fact, was caused by some performance-minded foreign investors deciding to take profits on the shares they bought when the D-mark was lower. The bulk of not enough to upset the whole market. But with prices not exactly buoyant, further big issues like the DM 3bn sale of the Government's 25 per cent Veba *stake* and *rights* issues such as that planned by Deutsche Babcock, the engineering company, could give the market a severe test. "It will take a bit of digesting," said Adrian Brundrett, an analyst with Citibank.

Andrew Fisher



Commodities feel the dollar's chill

Resources

WHEN THE dollar catches a cold, commodity markets cough. It is a matter of simple arithmetic: since most world trade in commodities is conducted in dollars, a fall in the value of the US currency means a reduction of commodity prices in terms *of other nations'* currencies.

This week has seen a copybook *example of the short*-term working of the dollar factor—particularly in the London Metal Exchange's *base metals* markets. To a growing extent, traders on the LME think in dollar terms, *although* the markets are actually denominated in sterling. As a result, there *is* a *close* correlation between dollar/sterling rate fluctuations and LME price movements.

On Monday the dollar weakened from $1.516 to the pound sterling to $1.534. US metals prices remained stable, but on the LME copper, lead, zinc and aluminium prices all slumped by around £20 a tonne and nickel (a more expensive metal) lost more than £60. The subsequent dollar recovery rallied the markets somewhat be*fore renewed weakness dragged* them down again on Thursday.

Sterling denominated soft (non-metal) markets have been subjected to the same pressures but their responses have been less easy to discern. *The dollar* does not have the same degree of dominance in cocoa and coffee trading that it has in metals; so when the dollar is weak against sterling (itself an important currency for those two commodities) the impact tends to be shared between higher dollar prices and lower sterling prices. This was the pattern in the New York and London coffee markets on Monday.

On the cocoa markets the situation was complicated by a bullish reaction to news that members of the International Cocoa Agreement had agreed provisionally to apply the pact. The same pattern was still apparent, however, with New York prices rising much more strongly than those in London.

The third big London softs market, sugar futures, is immune from the short-term effects of dollar fluctuations because it is denominated in dollars.

London broker C. Czarnikow believes there could be longer-term effects on the sugar market, however, as it explains in its latest Sugar Review.

"We have in the past commented that the strength of the US dollar has enabled producers to receive prices which, although low in world market terms, have appeared more acceptable when expressed in their domestic currencies." Czarnikow says. "We are now witnessing a reverse situation. The US dollar has been falling steadily in value for some time and this trend has been quickening recently. With sugar quoted internationally in dollar terms this has meant an effective reduction in the returns to producers *selling* on the world market. It remains to be seen whether this will have an effect on the export *policies* of any producers."

Recent research has shown, moreover, that *dollar commodi*ties are far more responsive to the currency's movements than might be expected.

In a report compiled last year for the World Bank Christopher Gilbert, a fellow of Wadham College, Oxford, *suggested* that under certain conditions a 10 per cent rise in the dollar might reduce dollar commodity prices by more than 10 per cent, so cutting prices in all currencies.

Apart *from* the direct arithmetic impact on prices, he said there was an indirect response resulting *from the impact on* dollar-denominated debt.

Mr Gilbert suggested three possible explanations: either the dollar's apreciation makes com*modity exporters feel poorer* and so pushes down prices; or it increases the burden of dollar-denominated *debt forcing* an increase in exports; or the dollar's rise produces a greater than expected *depreciation* in the currencies of exporting countries, reducing their wage *costs.*

The report said that the interaction between the rise of the dollar and dollar-denominated debt was responsible, to a not inconsiderable extent, for the recent depression in commodity prices.

Although Mr Gilbert was examining the impact of a strong dollar it may be assumed that at least some of his observations might hold true in reverse, when the dollar is weak.

It is often said that one of the prerequisites of a healthy *commodity futures market is* price volatility. So the wide fluctuations seen in the dollar over recent years might be regarded as a boon to the industry.

But the increased volatility of currencies has also had another effect, which has been far from welcome to commodity futures traders. This has been the part it has played in the spawning and rapid early *growth of financial futures* trading.

The success of these markets *has been mirrored by a decline* in speculative interest in commodity futures which the *commodity industry is still* struggling to halt.

The London Commodity *Exchange,* which operates the coffee, cocoa and sugar futures markets, this week launched a new bid to boost *market* liquidity when its members voted overwhelmingly to admit "locals" — individuals trading on their own accounts.

It is significant that the £10,000 being charged *for* the initial 50 local memberships is pitched substantially below the *entrance fee for locals on* the London International Financial Futures Exchange.

Richard Mooney

John Brennan hacks through a forest of argument . . .

If you go down in the . . .

THERE ARE two sides to Britain'scommercial woodlands. On one side of the wood we can see rich speculators creeping in through tax loopholes to wreak havoc with the country's heritage. They are led by accountants who introduce them to a merciless gang of softwood fiends, an evil crew whose nightmare plan envisages a seamless blanket of alien pine forest from Land's End to John O'Groats.

Huddled together in a brave attempt to stem this brutal invasion stand a group of concerned environmentalists, battered but unbowed in their fight to save our few remaining groves of British oak, and spending their meagre resources protecting wild life and rural lifestyles from the savage blades of City investors' chain-saws. Among their ranks, looking curiously out of place, but equally vehement in their efforts to block the investors, stand a rightward-leaning group of Parliamentary monetarists arguing for tax neutrality and an end to all Revenue loopholes.

It is an off-putting image, but move to the other side of the wood and a whole new cast of characters appears.

The villains here are urban terrorists from some inner-city squat, poorly camouflaged behind "Save The Whale" badges. They are littering pamphlets and chivvying otherwise rational conservation groups into battle against job-creating foresters. Over on this side of the wood the investors are the true environmentalists, re-creating for future generations a self-regenerating strategic resource of sensitively planned standing timber and, in the process, bringing life back to depopulated areas of Britain.

It is a critical battle for anyone interested in woodland investment, because one of the prizes at stake is the tax relief without which the commercial forestry business in Britain could be chopped back to Christmas tree status. It is a threat made all the more galling for the foresters because it comes just as the growing, harvesting and processing stages of timber production in Britain are beginning to be drawn together to form an effective industry.

"If you took away tax relief, you'd see the skid marks on the road as investors jammed on the brakes," says Ninian Sanders, the forestry partner at surveyors Bidwells.

Ronnie Williams, chief executive of the Timber Growers' Association, recalls that when Chancellor Denis Healey made his famous "squeeze the rich until the pips squeak" speech in the early 1970s, and introduced tighter capital tax rules, private forestry plantings of softwoods dropped from 23,000 to 6,500 hectares in the next year. Private broadleaf plantings showed a similar decline, so that even the prospect of a potential tax problem 20 or 30 years ahead—or half a century or more in the future in the case of the broadleaved hardwoods—can have an immediate impact on confidence.

"The industry is still at the seedling stage," says Angus Crow of forestry specialists John Clegg & Co. "We need that support, and it would be disastrous if, just as, for the first time in many years forestry as a pure investment is looking reasonable, the Government were to pull the rug.

Woodland tax support has been brought into the firing line by a recent report of the National Audit Office. The NAO questioned the investment success of the Forestry Commission, and, by implication, cast doubt on the value of continuing grant support and tax concessions for private sector forestry. The NAO's report was received with splutters of rage from the forestry management companies, who regard it as just the latest in a line of ill-argued, but all too often unchallenged, criticisms of commercial forestry.

Growers and timber products groups—the saw mill and processing companies—are normally involved in tough bargaining about the supply and price of wood. But they have become sufficiently concerned about the pincer movement of, on the other hand, the anti-commercial forestry environmental lobby, and on the other the neutral taxation buffs within the Conservative Party, to come together last week in an umbrella body, Forestry Industry Committee of Britain.

For the first time, the forestry industry as a whole—with the state-controlled Forestry Commission a necessarily cautious friendly neutral on the sidelines—is able to present its case with one voice. And it is the view of the industry as an integrated whole that provides potential owners with the most realistic picture of timber as an investment.

One of the major image problems for the commercial woodlanders is that, while managers and agents agree that tax concessions are necessary to attract sufficient new growers to maintain the pace of private plantings, the underlying importance of the forestry business tends to be hidden by the tax talk. It also perpetuates the impression that forestry is primarily a tax dodge.

As it is currently structured, private forestry investment is as tax efficient a way as any of converting revenue into capital. Investors in bare land bought for tree planting can elect to have their estate assessed as a business under Schedule D, making it possible to offset all the costs of establishing a plantation (apart from the land cost itself) against taxable earnings at their highest rate. Alternatively, woodlands can be assessed under Schedule B, whereby tax is levied on one-third of the national rental value of the land as if it were unimproved. Under Schedule B, income from timber crop sales comes, effectively, tax free.

Since every change of ownership results in the tax basis reverting to Schedule B, timely transfers can provide tax relief to successive generations of owners, both at the expensive planting end of the cycle, and 20 to 30 years later when the woods are mature enough to be harvested and, eventually, felled. In practice, therefore, new investors who elect to offset planting and early management costs against Schedule D would normally have sold, or have passed on the ownership of the woods before they reach the income-producing stage. And with business property relief against Inheritance Tax, the option to defer capital charges on growing timber passed on death, plus a number of additional transfer benefits, woodland investments are, as Ninian Sanders says: "ideal for an individual who is looking beyond pension funds and insurance policies."

> *A realistic minimum individual investment would be £50,000, or 100 acres*

They are often seen as a way of "keeping the children's 'pinkies off the greenies,'" until they are old enough to appreciate, rather than simply spend, the family fortune.

A tax device for the rich, then? Certainly. But if that were all commercial forestry amounted to as an industry and as an investment, accountants would be directing their high tax-paying clients towards as host of alternative tax-sensitive schemes, and the current land-use arguments would be of academic interest only.

Private forestry's total tax concessions and grant aid costs around £65m a year. Lower marginal tax rates have reduced the concessionary benefits in recent years, and the total sum is the merest drop in the ocean alongside state aid for the farming industry. But even that figure overstates the level of support since forestry plantation grants—which can be worth around £100 an acre against softwood planting costs of around £250 to £300 an acre—are treated as part of a woodland's taxable income.

The need for tax concessions and grants to persuade people to undertake what may well be a two-generation investment, was reaffirmed in 1980 when the Government reviewed national forestry policy. The current programme envisages the need for private plantings of 25,000 hectares of trees a year to supplement a targetted 5,000 hectares a year by the Forestry Commission.

That target of a total of 30,000 hectares of new tree plantings a year—which has yet to be achieved—reflects the fact that, despite half a century of active afforestation, Britain remains one of the baldest temperate countries in the world.

Forestry covers 2.21m hectares of Britain. That is just 9.6 per cent of the land mass compared to an European Community average of 25 per cent.

Because there are so few trees, and because so much of the country's timber stands in immature forests that have yet to reach harvestable age, imports account for 92 per cent of the timber and timber products used in Britain. In 1985-86 those timber imports cost £4.575bn, making wood products the country's fourth largest import by value, after fuel, food, and vehicles.

That domestic timber famine does, as Ninian Sanders says, ensure that there is no forseeable risk of a "timber mountain." And although forestry investment values are calculated on current prices, in reality, world timber values have been rising by a steady 1½ per cent to 2 per cent a year in real terms since the mid-1970s (although the sterling value of that rise has, inevitably, varied considerably).

Add that real increase in timber prices to the 2 per cent or 3 per cent average annual increase in the cubic volume of a growing forest, and projected investment returns start to become interesting. If you can also add in a progressively increasing value for the land, the figures begin to look comparable to alternative long-term holdings. But commercial forestry, particularly set against the broader backcloth of the agricultural industry as a whole, is far from being as easily summed up as that.

The current equation has to take account of the virtual unsaleability of marginal farmland. The National Farmers' Union has talked about the possibility of converting as much as half a million hectares of unwanted farmland to commercial tree growing by the end of the century. Looked at positively, that forms part of the move of forestry down from the top of the hills onto better quality land, with a broader range of possible species, lower fertiliser costs, easier planting and harvesting, and higher yields in a shorter crop rotation period. Counter-balancing that, the massive overhang of possible new land for forestry has chopped back bareland values by as much as 20 per cent in a matter of months.

What may prove to be excellent news for the forestry industry long term has, therefore, been seriously disruptive for investment calculations in the short run. Buyers may well be looking to returns 20 or more years ahead, but they are also looking critically at prices today and wondering if the land market really has bottomed out yet.

"A lot of people get pleasure just owning a wood," says Clegg's Angus Crow. "We had a

Continued on next page

Alice Rawsthorn previews

London's junior Market

Then there were three

ON MONDAY the Stock Exchange will introduce a new market for dealings in the shares of small, speculative companies—the Third Market. The first crop of small companies and their posses of professional advisers are ready for the opening. What will the new market offer investors?

The third tier has been devised as a flexible forum in which young businesses can trade their shares in a lightly regulated environment. It will encompass the start-up projects, Business Expansion Scheme companies and venture capital concerns which are considered too small and too speculative for the main stock market or Unlisted Securities Market.

Given that the companies involved will be young and small they are unlikely to appeal to the large institutions—the insurance houses and pension funds which tend to prefer to invest in embryonic businesses by acquiring large holdings as venture capital investors — the Third Market will rely on individuals for investment.

Individuals already dominate investment in the existing junior market, the USM, and, through their involvement in more speculative areas such as the over-the-counter market and the BES, they have shown they are prepared to indulge in far riskier investments.

From the investor's viewpoint buying shares in Third Market companies will be similar to that of the USM. The new market will be run under the aegis of the Stock Exchange and third tier share prices quoted on SEAQ, the exchange's computer system. All a prospective investor will need to do is to contact a stockbroker who will arrange to buy or sell shares through the relevant market maker.

But the companies quoted on the Third Market will be rather different from those on the USM in that they will be smaller and more speculative. In this respect the new forum will be more similar to the OTC market. Indeed the success of over-the-counter trading has been one of the key factors which persuaded the Stock Exchange that there was demand among investors for a riskier investment on the third tier.

The OTC market first emerged in the late 1970s and has since established a telephone network of 20 or so licensed securities dealers buying and selling shares on a "market" capitalised at more than £600m. It has had its share of successes.

The Hard Rock Cafe, for example, has increased its capitalisation from £4.8m to £52.8m in the three and a half years since Harvard Securities, the largest OTC dealer, brought it to the market. But the development of over-the-counter dealing has been scarred by a series of nasty, noisy scandals.

To many investors the OTC market looks like bandit territory. All the problems which have dogged the USM's development — volatile share prices, illiquidity, and erratic performances—have been exacerbated on the OTC market. Moreover the list of company failures is lengthy. Even the dealers themselves are vulnerable. One of the largest, Prior Harwin, was recently wound up. Moreover, investors have complained of being harassed by cold callers and misled by salesmen.

Yet the over-the-counter market has been successful: attracting thousands of investors and dealing in the shares of more than 200 companies. Given the level of investor interest, the Stock Exchange decided to provide what it calls a "well-regulated and well-disciplined" alternative.

The crucial question for investors is whether the Third Market really will provide an opportunity to invest in more speculative stocks in a regulated and disciplined manner.

The Stock Exchange maintains that the involvement of its member firms and its own custodianship will introduce a measure of discipline to the market. Nonetheless it accepts that there will be problems and is anxious that shareholders should adopt a realistic approach from the outset.

Liquidity, for example, is likely to be rather worse than on the USM given that the companies involved will be smaller with less equity in issue. This liquidity problem will be exacerbated by the inclusion of BES companies. Ostensibly the availability of BES investments, which offer generous tax advantages, seems attractive for investors. But shareholders forfeit their tax relief unless they hold on to BES investments for five years from the issue and, as a result, BES shares are rarely traded.

Although the exchange hopes that Third Market liquidity will be better than that of the OTC market, the over-the-counter companies scarcely set an encouraging precedent. The share prices of two OTC stocks which will transfer to the new forum on Monday—Theme Holding and Allied Insurance Brokers—have moved marginally since their flotations. Such performances are unexceptional for over-the-counter dealings but would be considered distinctly lack-lustre on the USM.

So investors must accept that they can not judge third tier stocks on the same criteria as they would those on the USM or main market. The companies will tend to be younger, so shareholders will have to reach a judgment on the basis of future prospects rather than past performance and will have to brace themselves for sluggish share price performances.

The exchange is also resigned to the fact that the companies quoted on the third tier will be rather more precarious than their USM or fully listed counterparts. For that reason it has insisted that "risk warnings," like those applied to BES issues, should be attached to Third Market prospectuses.

The solution, as the Stock Exchange sees it, is to encourage investors to be moderate in their use of the third tier. John Aarons, who has co-ordinated the new market's development, suggests that investors should confine Third Market investment to a small proportion of their capital and should only invest money they can "afford" to lose. In other words the new market is definitely not the correct vehicle for the apocryphal Aunt Agatha and her hard earned savings.

But small company investment can be lucrative, as the success of USM growth stocks such as Body Shop and Blue Arrow prove, be very lucrative. It is also lots of fun.

Hugo Dixon looks at a mortgage-backed market

Home loans for sale

WOULD YOU be happy if you took out a mortgage with a friendly building society, expecting to stay with it for 25 years, only to find out that your mortgage and others were being bundled up and sold on to a group of anonymous investors?

This week's decision by National Home Loans Corporation, the specialist mortgage lender which raises its funds on the wholesale markets, to package £50m worth of home loans as securities and float them on the Eurobond market, means such a question cannot be ducked.

Although NHL's issue is only a pinprick—there are about £150bn worth of home loans outstanding in the UK—it is a milestone in the creation of a market in mortgage-backed securities. A glance at the US, where over $100bn of such securities is being issued each year, shows how much things could change.

The new specialist mortgage lenders, of which NHL is only one, are likely to make most of the running in the early stages of the new market. The faster they can turn over their mortgage books, the more profit they can make.

However, building societies, which still account for over three-quarters of mortgages in Britain, are looking closely at the market. They will almost certainly become involved sooner or later.

By allowing lenders to operate more efficiently, "securitisation" may lead to a lowering in mortgage rates and could benefit the consumer. It also raises a series of important questions over how homeowners can be protected.

Will they, for example, lose their tax relief? Should they be consulted before their mortgages are sold? What will happen if they fall into arrears?

A government working party, made up of banks, building societies, other lenders and consumer bodies, is looking into these issues and will be producing a code of conduct within the next few months, for institutions involved in the market.

The National Consumers Council, which is represented on this working party, is pressing for the code to be compulsory and backed by legislation. The key element of its proposals would require homeowners to give their consent before their mortgages are sold and be given very clear information on what this would mean.

In particular, the NCC is suggesting they should be told what are the new arrangements for setting the mortgage rate and dealing with arrears. There is concern that the new owner of a mortgage might bump up the interest rate and be much harsher in dealing with somebody who falls into arrears.

Borrowers should be told, says the NCC, why their mortgage is being sold and how to redirect their mortgage payments if they need to. They should also be given the name of a local person who will be handling their mortgage.

Most important, they should know whether the new owner of the mortgage is registered under the Inland Revenue's mortgage interest relief at source (MIRAS) scheme. If the new lender is not registered, homowners would have to approach the Revenue directly to claim their tax relief.

The NCC further proposes that any consumer who vetoes the sale of his or her mortgage should be able to continue with the same lender and the same conditions if at all practicable. If for any reason this is not possible, the consumer should be able to redeem the mortgage without penalties.

Most lenders, although accepting the need for a code of conduct, argue that it should be voluntary rather than backed by legislation and this is what the working party is eventually expected to recommend. They also dispute some elements of the package

The NHL, for example, thinks it has taken sufficient measures to protect the consumer. Mr Kevin Milner, its finance director, insists: "The consumer has no reason to be concerned."

The main justification for this argument is not that the NHL asked its borrowers permission before selling their loans—it only wrote informing them of its intention—but that it will still retain control over the terms and conditions of the loan.

Homeowners should be protected because NHL has given an undertaking that all homeowners who arrange mortgages with it will pay the same rate, whether their mortgages are sold on or not. It is also only selling the mortgages to companies which are registered under the revenue's MIRAS scheme.

However, NHL was only able to do this by a series of complex arrangements. These included creating two new companies and insuring the deal with three insurance companies.

There is some doubt whether building societies and banks, which are subject to much tighter supervisory requirements, will be able to follow this route. If they are not, the homeowner will need to be protected in some other way.

Company Notices

STANWICK INTERNATIONAL CORPORATION S.A.

Registered Office:
Luxembourg, 14 rue Aldringen
Commercial Register Section B No 13 142

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

An annual general meeting of shareholders of Stanwick International Corporation S.A. will be held at its registered office, 14, rue Aldringen, Luxembourg on 2nd February 1987 at 10.30 hrs a.m., for the purpose of considering and voting upon the following matters:

1. To hear and accept:
   (a) the management report of the board of directors
   (b) the report of the statutory auditor.
2. To approve the annual accounts of the Company for the year ended 30th September 1986.
3. To discharge and grant a full indemnity to the directors and the auditor with respect to their performance of duties during the year ended 30th September 1986.
4. To re-elect Messrs. A. J. Gumbiner, B. M. Troup, H. P. Hollinger, and H. C. S. Warendorf as directors of the Company until the next annual general meeting of shareholders and to provide for the directors' remuneration.
5. To re-elect Touche Ross Luxembourg as the statutory auditor of the Company until the next annual general meeting of shareholders.
6. Any other business.

The shareholders are advised that no quorum for the statutory meeting is required and that decisions will be taken by the majority of shares present or represented with the restriction that no shareholder either by himself or by proxy can cast votes in respect of a number of shares in excess of one-fifth of the shares issued or two-fifths of the shares present or represented at the meeting.

In order to take part at the meeting the owners of bearer shares are required to deposit their shares three business days before the meeting at the registered office of the Company, 14, rue Aldringen, Luxembourg or with the following bank:

Interallianz Bank Zurich A.G.
Stadthausquai 1
8022 Zurich
Switzerland

BY ORDER OF THE BOARD OF DIRECTORS

NOTICE TO THE HOLDERS OF US$100,000,000 10¼% 1986/1996 Guaranteed Bonds issued by SOFIBER LTD unconditionally & irrevocably guaranteed by SOLVAY & CIE. SA

By a resolution of a Meeting of the Board of Directors of SOFIBER LTD held on April 8 1986, the corporate name of SOFIBER LTD has been changed to SOLVAY FINANCE (BERMUDA) LTD.

The new corporate name will not be stamped on the Notes, nor will the Notes be exchanged against new Notes. The Notes will be listed on the Luxembourg Stock Exchange under the former name followed by the new one.

On behalf of the company
The Principal Paying Agent
BANQUE GENERALE DU LUXEMBOURG
Société Anonyme

Legal Notices

No. 008598 of 1986
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
THE BIRMINGHAM & DISTRICT INVESTMENT TRUST PLC
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 9th day of January 1987 presented to Her Majesty's High Court of Justice for (a) the sanctioning of a Scheme of Arrangement and (b) the confirmation of the reduction of the capital of the above-named Company from £19,872,190 to £18,141,630. The amount by which the capital of the Company is proposed to be reduced is to be applied in paying up shares of the Company to a like amount.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before The Honourable Mr Justice Vinelott at the Royal Courts of Justice, Strand, London, on Monday the 2nd day of February 1987.

ANY Creditor Stockholder or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of Capital should appear at the time of hearing in person or by Cousel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under-mentioned Solicitors on payment of the regulated charge for the same.

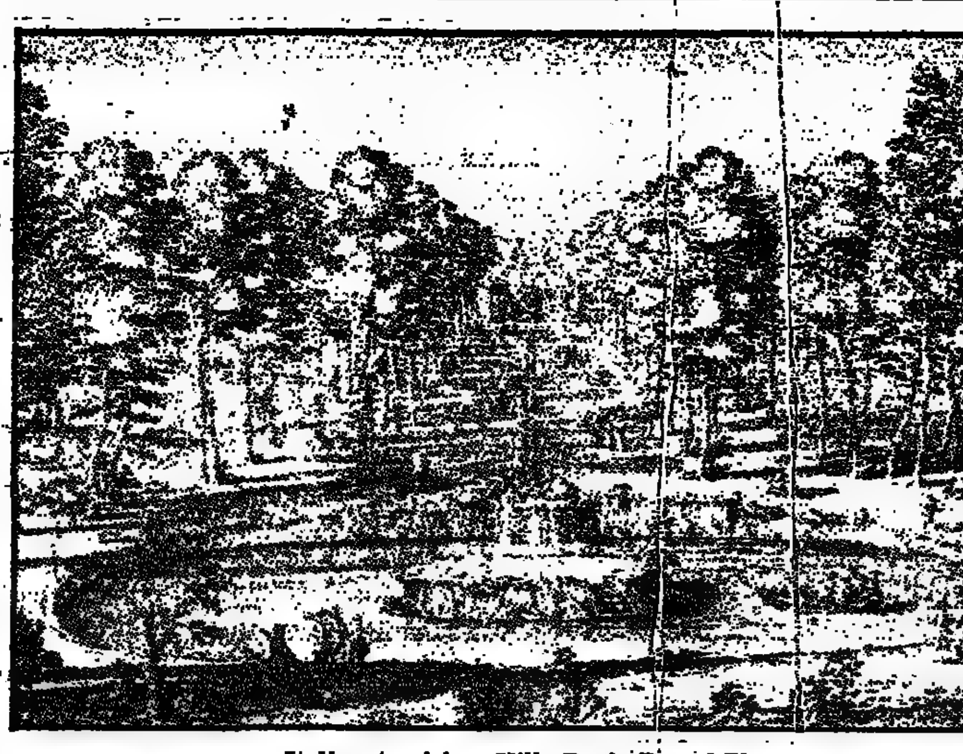
Dated this 24th day of January 1987.
LINKLATERS & PAINES (A.Rob),
Barrington House,
59-67 Gresham Street,
London EC2V 7JA.
Solicitors for the Company.

No. 007658 of 1986
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
NEWGATE TRUST PLC
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice, Chancery Division, dated 8th December 1986 confirming the reduction of the capital of the above named Company from £1,500,000 to £821,074.80 and the cancellation of its share premium account and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above mentioned Act were registered by the Registrar of Companies on 23rd December 1986.

Dated this 20th day of January 1986.
NICHOLSON, GRAHAM & JONES
19-21 Moorgate
London EC2R 6AU
Solicitors for the Company

Was Adam an Englishman?



Italianate vision: Villa Doria Pamphili

GARDENING has been out of the question in this beastly weather. Guilt-free, we can set aside our garden duties and divert to something else. Myself, I have been drawing the curtains and retiring to revisit an old favourite, not a witch hazel or a hellebore, but Milton's epic poem, Paradise Lost.

Actually, the poem was a snare, not an escape. It describes a famous garden: it has inspired great gardeners. But what sort of garden is its Eden supposed to be? I have had a very horticultural fortnight, trying to find the answer. Is it an Englishman's garden, an Englishwoman's garden, both or neither? The question has not gone short of answers, and has ben stirred up recently by John Dixon Hunt, a leading historian of garden design.

Personally, I have always assumed that Paradise looked like Sissinghurst on a warm July evening. There was a "flowery plat," thick with "roses bushing round"; it was walled, and opened out into woodland. Admittedly, there were palms and oranges with burnished skins, but I assume these were a concession to the non-Christian world, being hints of the two great Muslim gardens which dominate Spain's Granada.

There are, however, other opinions; some people think that the landscape looked like a Georgian park or a rhododendron paradise like Inverewe, and I have met a lady who insisted that everyone was wrong and that the "open fields" and "level downs" must have resembled the Cottesmore Hunt country in the 1930s. Nobody, so far as I know, has suggested Wisley.

In English company, the assumption has always been that the style of Eden was English, perhaps with a touch of Tresco and the Scilly Isles to account for those "odorous gums," sheltered by a heavenly Gulf Stream which would not have failed in last week's frosts.

These English assumptions are extremely old. The poem was published in the 1660s, when the formal vulgarities of the French Château style were coming into fashion in high society. Milton's poem ignored them. He preferred nature to art, "irriguous valleys" to formal vistas, wanton growth "tending to wild" to clipped topiary, flowering meadows and a "river large" to canals and fussy little marble fountains. Eve's idea of work is to train a honeysuckle up a pergola, not clip a yew-tree into shape.

Seventy years later, English gardeners founded a similar return to nature which led eventually to the great natural parks and English style of Capability Brown. Milton's imagination seemed prophetic, blind, he had foreseen it all. The new English garden had been anticipated by England's national poet. Horace Walpole paid him a glowing tribute in those terms.

This idea has had a very long life. Great English gardens have been compared with Milton's luxuriant Eden: perhaps the landscape gardeners of the 18th century ignored the profusion of Eden's flowers and roses, but planters of the 20th century have put the record straight. Eden reads like the sort of place in which any Englishwoman would willingly garden her heart out. Or so it seemed, until the challenge of John Dixon Hunt, distinguished editor of the Journal of Garden History. His elegant book, Garden and Grove, has taken a different line.

According to Professor Hunt, the Englishness of Eden is a national illusion. True, its "murmuring waters fall down sloping hills," but informality is relative; and in Hunt's view the water could perfectly well be in formal cascades. The "umbrageous grots and caves" were derived from artificial grottoes, seen among formal terraces. The "heraldic awkwardness" of Milton's animals derive from ornamental animals, carved in stone. Even the birds might be matched to the artificial birds which were put in the branches of foreign gardens.

The groves, glades and "noontide bower" were inspired by the walks and loggias of great Italian gardens, places like Pratolino, a seat of the Medicis. Milton did visit Italy. He is said to have met Galileo; perhaps he looked through the great man's telescope, a lasting influence on his view of the universe and Outer Space. In Hunt's view, he also went garden visiting and never forgot what he saw when imagining an Italian Eden in his years of blindness.

Now it is true that Milton's garden did have formal paths. One diligent lady critic has even noticed that Satan always follows them: he keeps off the heavenly grass, like a tourist—not an undergraduate — in the gardens of my Oxford college.

But that does not prove Professor Hunt's point. Paradise had long been described in works of literature, scripture and theology. Milton, a man of letters, would not forget the gardens of Spenser and the natural landscapes of Virgil and classical poetry. Paradise was a special place where everything grew wild without difficulty: was it so hard to imagine a natural profusion without dwelling on different memories of Italy?

Professor Hunt has roused my interest, but not unseated my prejudice. The first Garden, surely was an English blend of formality and informality, which better gardeners have been striving to recapture ever since.

To console us, not even Eden was totally under control. Even Adam admits that "more hands than ours" are required to pick up the dead heads, remove fallen fruits and trim the planting's "wanton growth." Built into the nature of the ideal garden is the fact that its owners are unable to keep it all in perfect shape.

Robin Lane Fox

Snow way out of it all

THE DEEP and drifting snow, such a feature of the January cold spell, has been both a blessing and a curse for gardeners. Snow is nature's protection for herbaceous bulbs and tubers and probably a good many of these, even those only on the border line of hardiness, have survived because of this warm blanket.

But to trees and shrubs, particularly those that retain their leaves, snow can be a destroyer. It collects on them in such quantities that stems and even stout branches are weighed down or broken off. Some trees are toppled right over.

Sometimes one can prevent damage by shaking off the snow as it gathers. This year, however, it all happened so suddenly and comprehensively that there was little opportunity to do this.

I awoke one morning to find the big box domes outside my window capped with a foot of snow. They have borne it bravely ever since without distortion but less densely branched spiraeas were flattened to the ground. Even so, I do not worry greatly. These stems are springy and I expect them to be restored to normal by the spring.

Nevertheless, there will be damage and a lot of it. The problem during the next few months will be what to do about it.

Do not panic. And do not be in too great a hurry to do anything. Branches that are actually broken will need surgery, but how much depends on appearance more than on health.

For hygiene it is sufficient to cut off the broken pieces cleanly but for shapeliness it is usually better to remove the whole stem or branch as far as a fork or main limb. Stubs of branches, even though alive, seldom look attractive. What one must aim for when pruning is to retain the natural habit of the tree or shrub, even if it has to be on a reduced scale.

What may happen very easily with multi-stemmed evergreens is that they can be spread-eagled by snow, their branches splayed outwards all round. If these branches are not too big and heavy it may be possible to pull them up again, hold them together temporarily with bands of rope and then enclose them more strongly with hoops of wire, or even with corsets of wire netting. This can work wonders for the more formal conifers, such as many of the Cypruses and Junipers.

There will be a great deal of growth that is dead, and much

more that looks dead but is not. How does one tell the difference?

In the first place, by nicking the bark with a penknife to find out whether the wood beneath is still moist and white. If it is, it is still alive but if it is dry and brown, it is dead. It does not follow that because the end of the shoot is dead the whole of it must go. Lower down it may be alive and so the test must be repeated every few inches.

There is an alternative which saves time but requires more patience and nerve. Do nothing for the moment and wait and see where growth appears later on. It is a fallacy that by leaving stems killed by frost one puts a whole plant at risk.

If it is alive further back, it will make its own insulation between live and dead tissue. The organisms that attack and eventually rot the dead area will not travel on into the live tissue. In time the dead bits will simply slough off, nature's method of pruning. There is, however, no need to wait for that. By July, one should be able to come to a final decision and cut back to the new growth.

Roses present their own problem for they vary enormously in their vulnerability to cold. However much modern rose growers advocate early pruning, I think that this year most will have to join the traditional brigade and leave the final cutting back to late March. It will not surprise me if by then some varieties will be showing so much discoloured bark that it will be necessary to cut back within a few inches of the growth.

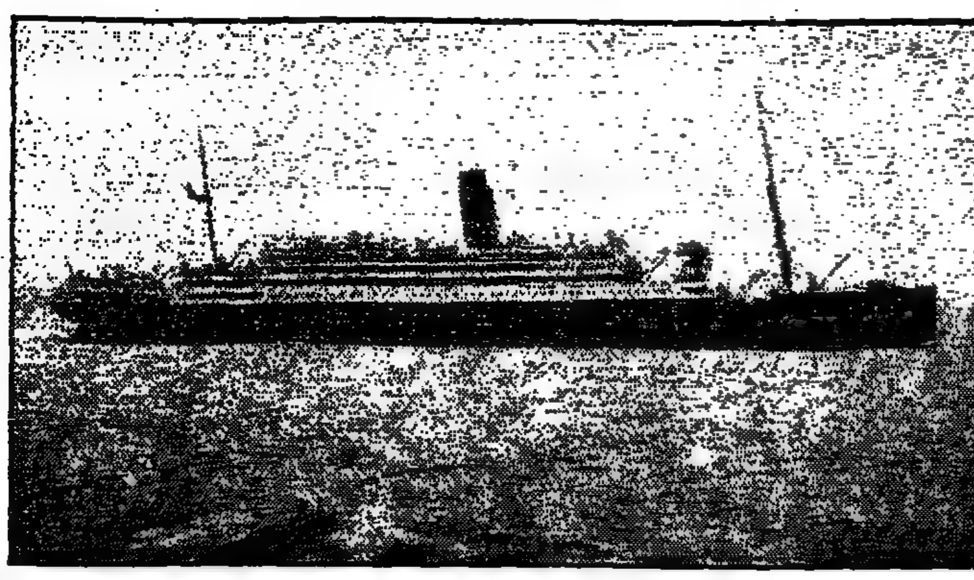
There have been problems inside as well as out and a good many greenhouse or conservatory dwellers are going to die. Here things are more under control and the temptation is to warm things up as quickly as possible in the hope that it will help plants to recover.

It will not. All plants dislike sudden changes of environment. To go straight from sub-zero to sub-tropical is more likely to kill than cure. Get the temperatures back into the 50s fahrenheit as soon as possible and be satisfied with that until April. See that the soil is restored quickly to a decent degree of moistness but avoid excesses of all kinds. Do not even be in a hurry to feed but when the spring does arrive and new growth appears, moderate but sustained feeding can do nothing but good.

Arthur Hellyer

Shipping boss in sea of scandal

Richard Lambert relates one of the great causes célèbres of financial history



The Almanzora, one of Lord Kylsant's ships

HE WAS chairman of the world's largest shipping group, controlling one seventh of the entire British merchant navy. He was a self-made man, who built an enormous empire through a series of audacious takeovers. He was a dominating personality, who told his fellow directors little or nothing about the state of the business.

He was also on his way to Wormwood Scrubs.

Recent events in the City have been extraordinary by any standards. But they have yet to challenge the great cause célèbre of British financial history in the twentieth century: the case of Lord Kylsant and the Royal Mail Steam Packet Company, which ended in the Old Bailey in the summer of 1931.

The drama raised basic questions about directors' responsibilities, the role of auditors, and shareholders' rights. And it contained a number of morals which are still relevant nearly 60 years later.

Alongside Lord Kylsant in the Central Criminal Court stood Mr Harold Morland, a senior partner of Price Waterhouse, the leading accounting firm. Together they were charged with issuing false accounts in 1926 and 1927. Both were found not guilty, but Kylsant was convicted on a separate charge—that of issuing a false prospectus in 1928 when Royal Mail raised £2m through a 5 per cent debenture stock.

Kylsant was a master in the art of highly geared takeovers, and of acquiring control of important companies by means of other people's money. He had become chairman of the Royal Mail in the early days of the century, chiefly through the astute manipulation of a number of investment trusts. From that base he had taken control of a whole string of blue chip shipping names, such as Elder Dempster, the Glen Line, and the White Star Line.

His system depended on an elaborate blend of ordinary shares (owned by himself and his friends) and much bigger blocks of non-voting preference shares and debentures (owned by the public). The result should have been a very lop-sided balance sheet, but the true picture was hidden behind a complicated web of cross-holdings within a group of associated companies.

Kylsant's big mistake was to assume that Britain's shipping industry, which had been badly damaged during and after the Great War, would sooner or later return to its former glories. He continued to expand his fleet accordingly, and as losses mounted, he resorted to increasingly creative accounting practices.

Between 1921 and 1929, shareholders were told that Royal Mail had earned nearly £6m, and they received dividends of some £5m. In fact, its accumulated losses came to nearly £1m, and the truth was masked by a whole series of special items.

This game could not go on forever, and as Britain's merchant navy continued to decline, the group eventually ran out of cash. The affairs of the company were placed in the hands of three high powered non-executives and Lord Kylsant was granted special "leave of absence."

The decision to prosecute, and the subsequent sentence to 12 months in prison, are still a matter for debate. The inadequacies of company law at the time made it far from clear that a crime had been committed. But as Lord Kylsant discovered to his cost, the letter of the law is not everything in these matters.

The morals of the story are:

● A dominating chief executive with a compliant board of directors can hide away from reality for a very long time. Shareholders' interests may not count for much.

● You can get away with a great deal in the City, although not always with murder. The dividing line between right and wrong can be quite blurred.

● Politics matter. Having prosecuted a number of minor offenders in the aftermath of the crash, a Labour Government could not be seen to be avoiding a clash with one of the most powerful of businessmen—especially at a time of rising unemployment and deepening financial crisis.

● The City is vicious to any of its members who step out of line. Kylsant's profligacy had outraged the financial establishment, and there is at least a suggestion that the impetus for his prosecution came from his own associates rather than from the Labour Left.

● Always be wary of a company which is moving into plush new offices. The prospectus which brought Kylsant down was issued to raise money for a new set of luxury offices in Leadenhall Street. A few years later, shareholders learnt that they had lost just about everything. The net loss of over £50m in 1931 money may in real terms have been the biggest commercial bankruptcy ever recorded in the UK.

This article is based on "Financier at Sea," by Anthony Vice, published in 1985 by Merlin Books of Braunton, Devon at £2.50; and on the entry by P. N. Davies in the Dictionary of Business Biography.

Bonds versus unit trusts

BONDS VERSUS UNIT TRUSTS

	1 yr	3 yrs	5 yrs
Managed bond funds sector average	17.5	49.3	114.9
International unit trusts sector average	24.3	54.9	156.2

UNIT TRUSTS AND IDENTICAL BOND FUNDS COMPARED

	1 yr bond	u.t.	3 yrs bond	u.t.	5yrs bond	u.t.
Hill Samuel British	16.3	14.8	63.2	76.0	140.2	194.0
Henderson Capital Growth	17.3	9.7	52.3	60.3	132.7	167.3
Schroder UK Euity	24.0	17.0	68.8	87.2	177.8	237.4
Llyods Bank/ Black Horse Smlr. Cos. Recovery	28.7	28.1	71.2	85.2	193.5	250.7
M & G Recovery	37.4	39.9	108.5	126.4	167.3	212.7

All figures, offer to bid, January 1, 1987.

Source Money Management

SUPPORTERS of single-premium investment bonds, and proponents of unit trusts, have traditionally been at loggerheads over which provides the best return.

The anti investment bond company argues that because of the unfavourable tax treatment, which has a knock-on effect on fund performance, bonds can never be as good an investment as unit trusts. It is even being argued that under the new "best advice" regulations there can be no justification for brokers recommending investment bonds to their clients.

This kind of argument makes pro-bond insurance brokers foam at the mouth. But it is interesting to note that many intermediaries are now taking a softer line on unit trusts, suggesting that both bonds and trusts "have their place" in the investment spectrum.

The new commission arrangements being discussed should mean that bonds will eventually pay brokers little more commission than unit trusts. But at present it is relevant to bear in mind that the views of brokers and intermediaries may be coloured by the fact that they receive higher commissions (up to 6 per cent) on bonds than the 3 per cent paid for selling unit trusts.

The argument most often put forward in favour of bonds is that they "allow you to withdraw 5 per cent a year tax-free." This statement is so "economical with the truth" that it is misleading. All bond proceeds are free of basic rate tax, but higher rate tax is payable. However, the higher rate taxpayer can make a withdrawal of 5 per cent of the original cost of the bond each year, with the higher rate tax liability deferred for 20 years, or until the bond is cashed in in full, whichever is earlier.

When the tax reckoning finally arrives, all withdrawals and all investment gains are added together, and top slicing relief is used to calculate the final year's taxable "slice."

Brokers Towry Law recently put out a booklet on bonds versus unit trusts, which concludes that a broker-managed bond gives the best of both worlds. The booklet argues that bonds can be useful to keep investors out of the age allowance trap. That is, since a bond during its lifetime does not generate any taxable income, it can reduce the holder's income to a level where the full age allowance can be claimed. This is quite true. However, an elderly investor using bonds for this purpose will find himself right back in the trap in the year of encashment. Although, as a basic rate taxpayer, you may have no tax to pay on the proceeds of the bond, those proceeds are taken into account in calculating your income for age allowance purposes, which could result in losing the allowance altogether.

Clive Scott-Hopkins, Towry Law's marketing director, feels the final year problem is not a real disadvantage when the investor has been kept out of the age allowance trap during the life of the bond. In any case, he argues, the bond may never be cashed.

Most bonds are bought on a joint life, last survivor, basis. If a husband dies, leaving his wife on a reduced income, she may no longer be in danger of falling into the age allowance trap. Or both investors may predecease the bond—a sure way to remove age allowance worries.

It seems a bit much to expect the investor to die or drastically reduce his income in order to cash his bond, especially when you could have withdrawn 5 per cent without any tax liability now or later—assuming you remain within the capital gains tax exemption limit—by using a unit trust.

What else is said in favour of bonds? There is no capital gains tax (CGT) liability on switching between funds; bonds have lower charges than unit trusts and have a wider range of investments available, including property and cash. In addition you can get a managed bond which covers the whole range, and where the managers do the switching for you.

There is something to be said for all these points. If you want to switch frequently, and would be liable to incur CGT on a unit trust switch, then you should consider bonds. Bond charges are lower than those on unit trusts, with the average bid/offer spread being less than 5 per cent, compared to almost 6 per cent on unit trusts.

Against these two points, bonds are liable to capital gains tax within the fund. This means that they are liable to pay CGT on profits realised, and they create a reserve to cover future liabilities once the fund begins to contract and large disposals become necessary.

Potential CGT liabilities will also inhibit the fund manager's movement, which may well have a detrimental effect on performance.

The result, as our tables show, is that unit trusts tend to outperform bonds for most periods over one year. Bonds do not even seem to benefit much from their ability to invest in property and to go liquid: the average international unit trust beats managed bonds over all the periods shown.

Christine Stopp

Schroders

Commissions

Out of the initial charge the Managers may pay commission to authorised agents at rates which are available from the Managers.

Taxation

The Company

The Company is incorporated in the Cayman Islands. Under the system of taxation presently in force in the Cayman Islands no taxes will be chargeable on any income, profits or capital gains of the Company or on any dividends payable by the Company. The Company has applied for and can be expected to obtain an undertaking from the Cayman Islands' authorities that, for a period of 20 years from the date of such undertaking when issued, no law which is enacted in the Cayman Islands imposing any tax or duty to be levied on income, profits, gains or appreciations shall apply to the Company.

The Administrator of Income Tax in Guernsey has confirmed that, on the basis of the proposed operations of the Company as described in this prospectus, the Company will be eligible for exemption from taxation in Guernsey under the provisions of the Income Tax (Exempted Companies and Trusts) (Guernsey) Ordinance 1984. A fee, currently fixed at £1,000, is payable upon the grant of exemption and the exemption has to be applied for annually. Application has been made by the Company for exemption and it is the intention of the Directors to conduct the affairs of the Company so as to ensure that it continues to be eligible for exemption.

United Kingdom income tax at the basic rate, currently 29 per cent, will be charged on rental income arising in the United Kingdom, net of allowable deductions for property outgoings, including interest which arises in the United Kingdom. United Kingdom income tax will be deducted by the Managers and accounted for to the Inland Revenue. There is no relief for United Kingdom income tax suffered in this way.

It is the intention of the Directors to conduct the affairs of the Company so as to ensure that it will not become resident in the United Kingdom, that it would not be deemed to be a close company if it were so resident, and that its income and gains will not be subject to tax in the United Kingdom, except as noted above.

Shareholders

Under the system of taxation presently in force, shareholders will not be subject to any tax in the Cayman Islands in respect of any Participating Shares owned by them. The Company has applied for and can be expected to obtain an undertaking from the Cayman Islands' authorities that, for a period of 20 years from the date of such undertaking when issued, no tax in the nature of estate duty or inheritance tax, nor on the income, profits, gains or appreciations arising from or on such Participating Shares shall be chargeable in respect of any Participating Shares owned by shareholders.

Shareholders will not be subject to any tax in Guernsey in respect of any Participating Shares owned by them. No death duties, capital gains tax, gift, inheritance or capital transfer taxes are levied in Guernsey. No stamp duty is levied in Guernsey on a transfer or redemption of Participating Shares in the Company.

Clearance has been obtained from the Board of Inland Revenue of the United Kingdom under Section 464 of the Income and Corporation Taxes Act 1970 that the provisions of Section 460 of that Act (cancellation of tax advantages from certain transactions in securities) will not apply to the issue or redemption of Participating Shares, or the purchase of Participating Shares from or their sale to the Managers.

Shareholders (other than those holding Participating Shares as dealing stock, who are subject to separate rules) who are resident or ordinarily resident in the United Kingdom or carrying on business in the United Kingdom through an establishment with which their investment is connected may, depending on their circumstances and subject as is mentioned below, be liable to United Kingdom capital gains tax or corporation tax in respect of chargeable gains realised on disposal of Participating Shares.

The United Kingdom Finance Act 1984 contains provisions affecting the disposal of material interests in offshore funds by shareholders as are mentioned in the immediately preceding paragraph. If an offshore fund is certified by the Inland Revenue to be a distributing fund throughout the period of a shareholder's ownership of his Participating Shares, gains realised will be liable to tax as capital except any equalisation element of the redemption proceeds, which will be taxable as income. If not so certified, all such gains will be taxed as income, rather than as capital. The Directors will take all reasonable steps to ensure that the Company is certified as a distributing fund, but cannot give an assurance that such certification will be obtained.

United Kingdom resident companies having an interest in the Company such that [illegible] or more of the Company's profits for an accounting period could be apportioned to them may become liable to United Kingdom corporation tax in respect of their share of the Company's undistributed profits, in accordance with the provisions of the Finance Act [illegible] companies.

The attention of individuals ordinarily resident in the United Kingdom is drawn to Section 478, Income and Corporation Taxes Act 1970 and Section 45, Finance Act 1981 which contain provisions for preventing avoidance of income tax by transactions resulting in the transfer of income to persons (including companies) abroad and may render them liable to taxation in respect of undistributed income and profits of the Company.

Shareholders liable to United Kingdom taxation in respect of dividends received from the Company will be so liable in respect of dividends applied in the acquisition of further Participating Shares under the reinvestment procedures.

Prospective investors should ascertain from their professional advisers the consequences to them of acquiring, holding, redeeming, or selling Participating Shares under the relevant laws of the jurisdictions to which they are subject, including the tax consequences and any exchange control requirements.

Report and accounts

The report and accounts relating to the Company will be made up to 31st July of each year and will be circulated to shareholders.

Meetings

The Annual General Meeting of shareholders of the Company will be held in Guernsey. Notices concerning the Annual General Meeting will be forwarded to shareholders together with the annual report and accounts of the Company, not later than 21 days before the date fixed for the meeting.

GENERAL INFORMATION

1. Constitution of the Company

The constitution of the Company is defined in its Memorandum and Articles of Association.

2. Share capital

The Company has an authorised share capital of $[illegible],000 divided into 100 Founders' Shares of £1 each, all of which have been subscribed for in full in cash by or on behalf of the Managers and 99,990,000 Unclassified Shares of 1p each available for issue as Participating Shares or Nominal Shares.

The rights attaching to the various classes of shares are as follows:-

(a) Founders' Shares

Founders' Shares have been created so that Participating Shares may be issued with preference over another class of capital. They carry one vote each on a poll and do not carry any right to dividends. In a winding-up they rank only for a return of capital paid up, after return of capital on Participating and Nominal Shares. Founders' Shares are not redeemable. They are issued only to the Managers.

(b) Unclassified Shares

These may be issued either as Participating Shares or as Nominal Shares.

(i) Participating Shares

These are Participating Redeemable Preference Shares of 1p each. Each holder of Participating Shares is entitled, on a poll, to one vote for each share held. Dividends may be paid to the holders of Participating Shares out of the profits available for distribution. In a winding-up each Participating Share has a preferential right to a return of paid up capital and a right to share in the surplus assets of the Company after return of paid up capital on the Founders' and Nominal Shares.

(ii) Nominal Shares

Nominal Shares may only be issued and redeemed at par and only for the purpose of providing funds for the repayment of the nominal amount of Participating Shares redeemed. They carry no right to a dividend. Each holder of Nominal Shares is entitled, on a poll, to one vote in respect of all the shares held by him. On a winding up they carry the right to repayment of paid up capital after the Participating Shares but before the Founders' Shares.

The Managers are obliged to subscribe for Nominal Shares for cash at par when Participating Shares are redeemed unless the Directors decide that the nominal amount of such Participating Shares is to be redeemed out of profits.

Nominal Shares may be converted into Participating Shares by the Managers upon paying the necessary conversion price.

(c) All shareholders are entitled to receive notice of General Meetings and to attend and vote thereat. On a vote taken by a show of hands every member who is present has one vote.

3. Temporary suspension of dealings

By their nature residential properties are not quickly nor easily realisable and therefore calls for redemption of Participating Shares may not be met immediately even though the Company intends to hold some liquid investments. In this case, and the others set out below, the Directors may declare a suspension of the determination of the net asset value.

In addition, in the particular circumstances set out in 7(c), redemptions of Participating Shares may be deferred even though there is no suspension of the determination of the net asset value.

A suspension of the determination of net asset value may be declared by the Directors for the whole or any part of a period during which:-

(a) there exists any state of affairs in the property market as a result of which disposal of investments by the Company is not, or may not be, possible at a fair price as determined by the Property Valuers; or
(b) by reason of the closure of or the suspension of trading on any money market, stock exchange or over-the-counter market or any other exchange or market or for any other reason circumstances exist as a result of which, in the opinion of the Directors, it is not reasonably practicable for the Company to realise or dispose of any investments or fairly to determine the value of the net assets of the Company; or
(c) a breakdown occurs in any of the means normally employed by the Directors in ascertaining the value of investments or when for any other reason the value of investments cannot reasonably be ascertained; or
(d) the remittance of funds which will or may be involved in the realisation of, or in the payment for, investments or the issue, sale or redemption of Participating Shares cannot in the opinion of the Directors be carried out without undue delay and at normal rates of exchange; or
(e) in the opinion of the Directors certified in writing such a suspension shall be desirable in the interests of continuing Members.

No Participating Shares may be issued (other than those which have already been allotted) nor may Participating Shares be redeemed during a period of suspension. In the event of suspension, a shareholder may withdraw his redemption request provided that such withdrawal is actually received before the termination of the period of suspension. Where the request is not withdrawn, the day on which the redemption of the Participating Shares will be effected will (if later than the day on which the redemption would otherwise have been effected if there had been no suspension) be the Subscription Day next following the end of the suspension. The Managers may exercise the power of suspension under the Management Agreement.

4. Variation of class rights

(a) The special rights attached to any class of shares may (unless otherwise provided by the terms of issue of the shares of that class) from time to time (whether or not the Company is being wound up) be varied or abrogated with the consent in writing of the holders of not less than three-fourths of the issued shares of that class, or with the sanction of a resolution passed by a majority of three-fourths of the votes cast at a separate meeting of the holders of such shares.
To every such separate meeting all the provisions of the Articles of Association as to the General Meetings of the Company shall, mutatis mutandis, apply, except that the necessary quorum at any such meeting is two persons at least holding or representing by proxy one-third of the issued shares of that class. If a meeting is adjourned because a quorum is not present those present at the adjourned meeting will form a quorum.
(b) The rights attached to the Participating Shares are deemed to be varied by the creation or issue of any shares (other than Participating Shares) ranking pari passu with or in priority to them as regards participating in the profits or assets of the Company.
(c) Subject to paragraph (b) above the special rights attached to any class of shares having preferential rights are (unless otherwise expressly provided by the conditions of issue of such shares) deemed not to be varied by the creation, allotment or issue of further shares ranking pari passu therewith; or by the creation, allotment or issue of Founders' Shares; or by the creation of Unclassified Shares; or by the allotment, issue or redemption of Participating Shares; or by the allotment, issue or redemption of Nominal Shares; or by the conversion of Nominal Shares into Participating Shares; or by payment of a dividend on the Participating Shares.

5. Further issue of Participating Shares

The Articles of Association provide that after the initial offer, except where there is a suspension of the determination of the net asset value for Participating Shares, they may be issued on Subscription Days at a subscription price per Participating Share of not less than the nominal amount plus a premium. The premium is determined by assessing the value of the net assets of the Company on the business day before the relevant Subscription Day, adding a provision for duties and charges which would be payable on acquisition of the whole of the Company's portfolio, and (if an Equalisation Account is being operated) deducting the Net Undistributed Income. The amount of premium so calculated is then divided by the number of Participating Shares in issue and deemed to be in issue. From the resultant amount is deducted an amount equivalent to the nominal value of a Participating Share. Where an Equalisation Account is being operated an equalisation payment is also payable. To the total is added the Managers' initial charge. The total may then be rounded upwards by not more than 1 per cent, the Managers being entitled to the rounding up adjustment.

The Company may also make offers of Participating Shares at fixed prices from time to time within limits set out in the Articles of Association.

The Managers may, as principal, at their sole discretion, satisfy, in whole or in part, an application for Participating Shares by effecting a transfer to the applicant of Participating Shares owned by the Managers at the price calculated as above. The Managers may also satisfy an application for Participating Shares by converting Nominal Shares held by them into Participating Shares.

The Articles of Association also provide that the Company may decline to allot Participating Shares unless cleared funds in payment of the shares to which an application relates have been received by 15.30 hours (Guernsey time) on the business day immediately preceding the Subscription Day in question.

Participating Shares may be issued in exchange for investments on such basis of valuation as the Directors think fit, if they are satisfied that the terms of such exchange are not such that are likely to result in any material prejudice to existing shareholders.

The Directors have the power to operate an Equalisation Account (as defined within the Articles of Association) in relation to subscriptions for Participating Shares. In such a case, equalisation payments are normally repaid to shareholders with the first dividend to which they are entitled after the issue of the relevant Participating Shares or, if still outstanding, on a redemption of such shares or on a liquidation.

Fractions of shares will not be issued and any excess subscription monies will be retained by the Company for [illegible] Participating Shares.

6. Restrictions on holdings

The Managers are empowered under the Articles of Association of the Company to require the transfer or redemption of any Participating Share which is owned directly or beneficially by any person in breach of any law or requirement of any country or governmental authority or by virtue of which such person is not qualified to hold such Participating Share or which in the opinion of the Managers might result in the Company suffering taxation or other pecuniary disadvantage which it would not have suffered if such person ceased to be a holder of such Participating Share.

7. Redemption

(a) Minimum valuation of the Company

If at any time after the third anniversary of the date of the Company's incorporation the net asset value of the Company shall on each Valuation Day (as defined in the Articles of Association) falling within a period of twenty-six consecutive weeks be less than £10,000,000, the Company may by not less than four weeks' notice to all holders of Participating Shares, given within eight weeks of the expiry of the twenty-six week period, on the Subscription Day nominated in such notice redeem at the relevant redemption price all (but not some) of the Participating Shares not previously redeemed.

(b) Final redemption

All Participating Shares not previously redeemed will be redeemed by the Company on 31st October, 2086 at the redemption price on that day, determined as mentioned above, or if such date is not a business day, on the next following business day at the redemption price on such following business day.

(c) Deferral of redemptions

The Company shall not be bound to redeem as at any Subscription Day more than one-quarter of the number of Participating Shares then in issue. If the Company shall receive requests for the redemption as at any Subscription Day of a greater number of Participating Shares, it may scale down the number to be redeemed in response to each request to such extent as may be necessary to ensure that the foregoing limit is not exceeded and shall carry forward for redemption as at the next following Subscription Day the balance of each request and so on to each succeeding Subscription Day until each request has been complied with in full, provided that requests for redemption which have been carried forward from an earlier Subscription Day shall (subject always to the foregoing limits) be complied with in priority to later requests.

8. Directors

The Articles of Association contain provisions relating to Directors (inter alia) as follows:-

(a) Any Director may act in a professional capacity for the Company (other than as Auditor) and may hold any other office under the Company and may receive remuneration for any such services as if he were not a Director.
(b) A Director may not normally vote in respect of any contract in which he is materially interested but shall not be disqualified by his office from contracting with the Company. A Director is not counted in the quorum of any meeting in relation to a resolution on which he is debarred from voting.
(c) The Directors shall each be entitled to a fee of £2,000 in respect of each twelve month period or such increased remuneration as may be voted to them by the Company in General Meeting. The Directors may also be reimbursed for expenses incurred in connection with the business of the Company and may receive remuneration for special services, including any executive or salaried office.
(d) The Directors may exercise the powers of the Company to borrow. The borrowing of the Company may not (except with the consent of a resolution passed by a majority of holders of Participating Shares present in person or by proxy at a separate class meeting) exceed the net asset value of the Company on the business day immediately preceding the date of borrowing.
The Directors reserve the right to fund a major part of the acquisition cost of properties by borrowing.
(e) There is no share qualification for the Directors.
(f) There are no provisions requiring a Director to retire at a certain age.

9. Material contracts

The following contracts which are or may be material have been entered into otherwise than in the ordinary course of business:-

(a) Management Agreement between the Company and the Managers dated 19th January, 1987, whereby the latter agreed to manage the business of the Company, subject to the overall supervision of the Directors. They are paid a fee detailed under "Fees and charges". The agreement can be terminated by the Company on six months' notice. Under the Management Agreement the Managers are entitled to buy and sell Participating Shares as principals for their own account provided that they do not buy or sell Participating Shares at lower or higher prices respectively than the bid and offer prices for the time being in force in accordance with the Articles of Association. The Managers have power under the Management Agreement to delegate their duties with the prior approval of the Directors.
(b) Custodian Agreement between the Company and the Custodian dated 19th January, 1987, under which the Custodian was appointed custodian of the Company's assets and is paid a fee detailed under "Fees and charges".
(c) Property Advisers' Agreement between the Company and John D. Wood & Co. contained in a letter dated 19th January, 1987, under which they are appointed to advise on the purchase and sale of residential properties in London. Their fee is detailed under "Fees and charges". The arrangement is terminable on three months' notice.
(d) [illegible] 19th January, 1987, under which the latter are appointed to value and survey properties acquired by the Company and to update the valuations. The arrangement is terminable on three months' notice.
(e) [illegible] Services Limited dated 19th January, 1987, terminable on three months' notice, under which the latter performs the services in return for the fees detailed under "Fees and charges".

10. Auditors' Report

To the Directors
[illegible]
Property Fund Limited

Albert House,
[illegible]
St. Peter Port,
Guernsey, Channel Islands

16th January, 1987

Dear Sirs,

NM International Residential Property Fund Limited was incorporated under the laws of the Cayman Islands and registered on [illegible] January, 1987. As at the date of this report it has not traded and no accounts have been prepared and no dividends paid.

Yours faithfully,

Deloitte Haskins & Sells

11. Auditors' Consent

Deloitte Haskins & Sells have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion of the Auditors' Report in the form and context in which it appears.

12. Miscellaneous

(a) The Company is not engaged in any material litigation and the Directors are not aware of any material litigation or claims pending or threatened against the Company.
(b) The Company has not established and does not intend to establish a place of business in Great Britain. It has no subsidiaries or employees.
(c) Save as disclosed in the paragraph headed "Fees and charges" above no commissions, discounts, brokerages or other special terms have been granted or are payable by the Company in connection with the issue or sale of any capital of the Company.
(d) The provisions of Section 82 of the Companies Act 1985 of Great Britain (other than the penal provisions) so far as applicable having regard to Section 75 of that Act, shall apply to the allotment of shares in pursuance of this document.
(e) Mr. T. W. A. Jackson-Stops is Chairman of Jackson-Stops & Staff which will receive fees from the Company for undertaking valuations of London properties.
Dr. R. J. Leaper, Mr. R. W. Taylor, Mr. [illegible], Mr. [illegible] Oliver, Mr. [illegible] J. Roberts, Mr. C. J. Bulley, Mrs. K. D. Thompson and Mr. N. [illegible] H. J. [illegible] are Directors of NM Schroder Financial Management International Limited which will receive fees from the Company for acting as Managers.
Dr. R. J. Leaper, Mr. R. W. Taylor and Mr. M. J. Taylor are Directors of NM Schroder Life Assurance Limited which, like the Managers, is a wholly-owned subsidiary of National Mutual Life Association of Australasia Limited. NM Schroder Life Assurance Limited may buy properties from and sell properties to the Company. Any such transaction will take place at prices certified by independent valuers to be those appropriate to transactions between a willing buyer and a willing seller.
(f) (i) No shares of the Company are under option or agreed conditionally or unconditionally to be put under option.
(ii) No shares or loan capital of the Company have been or are agreed or proposed to be issued as fully or partly paid up otherwise than in cash.
(g) The Company has not purchased or acquired nor agreed to purchase or acquire any property.
(h) Save as disclosed in the paragraph headed "Fees and charges" above and in paragraph (e) above no amount or benefit has been paid or given (or is intended to be paid or given) to any promoter.
(i) Save as disclosed herein, no Director of the Company has any interest, direct or indirect, in the promotion of the Company or in any assets which have been acquired or disposed of by or leased to the Company or are proposed to be acquired, disposed of by or leased to the Company, nor is there any contract or arrangement subsisting at the date of this document in which a Director is materially interested and which is significant in relation to the business of the Company.
(j) There are no existing or proposed service contracts between any of the Directors and the Company but the Directors are entitled to receive remuneration as provided in the Articles of Association of the Company. The remuneration of the Directors for the period ending 31st July, 1987 is estimated to amount to £11,000.
(k) The minimum amount which, in the opinion of the Directors, must be raised to provide for the matters referred to in paragraph 2 of the third Schedule to the Companies Act 1985 of Great Britain, is £1,150,000 the whole of which must be raised by the [illegible]:-
(i) Purchase price of property: nil
(ii) Preliminary expenses: £150,000
(iii) Repayment of [illegible]
(iv) Working capital: £1,000,000
There are no amounts to be provided in respect of the matters above mentioned otherwise than out of the proceeds of the issue.
In the event that the amount raised by the initial offer is less than £1,150,000, no Participating Shares will be issued and all application monies will be returned by [illegible] March, 1987.
(l) The preliminary expenses of the Company and the expenses of the initial issue are estimated to amount to approximately £150,000 excluding VAT. They are payable by the Company and amortised over a period not exceeding seven years.
(m) The Custodian is a company incorporated and resident in Jersey. Its registered office is [illegible] Broad Street, St. Helier, Jersey, Channel Islands.

13. Documents available for inspection

Copies of the following documents may be inspected at the registered office of the Company and the offices of the Managers in Guernsey and the offices of [illegible] London EC[illegible] 4TJ during normal business hours on any weekday (Saturdays and Bank Holidays excepted) until 24th February, 1987:-

(a) the Memorandum and Articles of Association of the Company;
(b) the material contracts [illegible];
(c) the Companies Law (Cap. 22) of the Cayman Islands, as amended, under which the Company was incorporated; and
(d) the report [illegible] January, 1987.

Correspondent Bank

The Correspondent Bank of NM Schroder Financial Management International Limited for receipt of subscription monies is:-

Bank	*Account*
Barclays Bank PLC	NM Schroder Financial Management
P.O. Box 41,	International Limited
6-8 High Street,	re. NM International Residential
St. Peter Port,	Property Fund Limited
Guernsey,	Account Number 00831476
Channel Islands.	
Telex 4191621 (BARCGU-G)	
Sort Code 20-35-32	

APPLICATION PROCEDURES

1. General

(a) Application may be made either by telex in the form set out below or on the Application Form. Applicants are advised to apply by telex wherever possible to avoid delay in the allotment of their shares.
(b) Contract notes confirming the sale or allotment of shares are despatched as soon as possible. Share certificates will be despatched at the applicant's risk within one month.
(c) The minimum initial subscription for Participating Shares is £1000 although subsequent applications by existing holders for Participating Shares may be made for a minimum of £500.
(d) The Company reserves the right to reject an application in whole or in part in which event the application monies or any balance thereof will be returned to the applicant by post at the applicant's risk.
(e) Foreign exchange transactions, where payments in respect of allotment or redemption of Participating Shares are tendered or requested in a currency other than sterling, the necessary foreign exchange transactions may be arranged by the Managers on behalf of and for the account of the applicant or shareholder without responsibility in respect to either the Company or the Managers.

2. Telex applications

In order to be allotted Participating Shares in the initial offer, a telex in the form set out below must be received by the Managers in Guernsey not later than 15.30 hours (Guernsey time) on 24th February, 1987. Payment — preferably in sterling — for the Participating Shares must be made to the Correspondent Bank shown above on or before 15.30 hours (Guernsey time) on 24th February, 1987.

(a) Telex applications should be made in the following form (Telex number [illegible]):
"To the Managers and to the Directors,
NM International Residential Property Fund Limited,
[illegible]
St. Peter Port,
Guernsey, Channel Islands

I/We hereby apply for the issue to me/us of (state number) Participating Shares of NM International Residential Property Fund Limited (the "Company").

This application is made on the terms of the Company's Prospectus dated 20th January, 1987 of which I/we have received a copy and subject to its Memorandum and Articles of Association.

For this purpose I/we have instructed (state name and address of paying bank) to remit (state amount) for value on (state date – must be before 15.30 hours (Guernsey time) on 24th February, 1987) to Barclays Bank PLC Sort code 20-35-32 and account number 00831476 under telephone advice to you for the account of NM Schroder Financial Management International Limited re. NM International Residential Property Fund Limited.

I/We hereby authorise and request NM Schroder Financial Management International Limited to effect any foreign currency transactions which may be necessary to invest the application monies in Participating Shares.

I/We agree to accept the same or any smaller number of Participating Shares in respect of which this application may be accepted, and I/we authorise you to place my/our names on the Register of Members of the Company in respect of the shares allotted to me/us.

I/We authorise you to send at my/our risk to me/us a certificate for the number of shares in respect of which this application is accepted to (state name and address), and a cheque for any monies returnable by post to (state name and address).

I/We hereby declare that the Participating Shares are not being acquired directly or indirectly by a U.S. person** nor in violation of any applicable law and they will not be owned beneficially either directly or indirectly by or on behalf of a person resident in Guernsey, Alderney or Herm.

In the event of any of the particulars given in this telex ceasing to be true I/we undertake forthwith to notify NM Schroder Financial Management International Limited thereof.

From (state name, address, telephone and telex number of Applicant)."

** If you are unable to make this declaration, you may still be able in certain circumstances to subscribe for Participating Shares, but you should contact the Managers for details first. A "U.S. person" includes a national or resident of the United States of America, a partnership organised or existing in any state, territory or possession of the United States of America, a corporation organised under the laws of the United States of America or of any state, territory or possession thereof, or any estate or trust other than an estate or trust the income of which from sources outside the United States of America (which is not effectively connected with the conduct of a trade or business within the United States of America) is not included in gross income for the purposes of computing United States federal income tax. For the purposes of this definition "United States of America" includes the United States of America, its territories, possessions and areas subject to its jurisdiction.

(b) In addition, you must instruct your bank to make the payment referred to in the telex for value before 15.30 hours (Guernsey time) on 24th February, 1987 as follows:-
"For value on (state date) please pay the sum of (state amount and currency) by telegraphic transfer to Barclays Bank PLC, 6-8 High Street, St. Peter Port, Guernsey. Account no. 00831476 for the account of NM Schroder Financial Management International Limited re. NM International Residential Property Fund Limited. Please advise full details of this payment immediately by telephone to NM Schroder Financial Management International Limited (Telephone No: Guernsey (0481) 28750)."

3. Written applications

(a) The Application Form below should be completed and sent to:
NM Schroder Financial Management International Limited,
P.O. Box 273,
Schroder House,
The Grange,
St. Peter Port,
Guernsey, Channel Islands.
(b) In addition, written applications should be accompanied by a remittance, preferably in sterling, for an appropriate amount by cheque or bankers draft payable to NM Schroder Financial Management International Limited. Payment may be made by telegraphic transfer for substantial amounts in the terms as set out in paragraph 2(b) above.

Cleared funds are required to be received before being invested. It should be noted that cheques, particularly for currencies other than sterling, will take a long time to clear and applications will not be dealt with until notification is received from the Company's bankers that the cheque has been cleared. Accordingly, Participating Shares will not be allotted under the initial offer unless the accompanying cheque has been cleared by 15.30 hours (Guernsey time) on 24th February, 1987.

NM International Residential Property Fund Limited
APPLICATION FORM

FT 24/1

To: NM Schroder Financial Management International Limited,
P.O. Box 273, Schroder House, The Grange, St. Peter Port,
Guernsey, Channel Islands

To: The Directors,
NM International Residential Property Fund Limited

Dear Sirs,

I/We hereby apply for the issue to me/us of ______ Participating Shares of NM International Residential Property Fund Limited ("the Company").

[illegible]

For this purpose I/we enclose herewith a cheque/banker's draft for ______
made payable to NM Schroder Financial Management International Limited.
Note: Minimum £1000.

I/We hereby authorise and request NM Schroder Financial Management International Limited to effect any foreign currency transactions which may be necessary to invest the application monies.

This application is made on the terms of the Company's Prospectus dated 20th January, 1987 of which I/we have received a copy and subject to its Memorandum and Articles of Association.

I/We agree to accept the same or any smaller number of Participating Shares in respect of which this application may be accepted and I/we authorise you to place my/our name(s) on the Register of Members of the Company in respect of the shares allotted to me/us.

I/We authorise you to send at my/our risk to me/us a certificate for the number of shares in respect of which this application is accepted to the address specified according to the delivery instructions set out in this form, and a cheque for any monies returnable by post to the address first written below.

I/We hereby declare that the Participating Shares are not being acquired directly or indirectly by a U.S. person (see Note below) nor in violation of any applicable law and that they will not be owned beneficially either directly or indirectly by or on behalf of any person resident in Guernsey, Alderney or Herm.

In the event of any of the particulars given in this form ceasing to be true I/we undertake forthwith to notify NM Schroder Financial Management International Limited thereof.

DELIVERY INSTRUCTIONS (Please tick the appropriate box)

(a) Please forward the certificate to the first named holder below ☐

(b) [illegible] branch following: ☐

DISTRIBUTION INSTRUCTIONS (Please tick the appropriate box)

(a) [illegible] ☐

(b) Please pay my/our dividend to the Managers, who are hereby instructed as my/our agent to reinvest it in further Participating Shares ☐

(c) Please pay to the Bank, branch and Account as follows ☐

Bank Name and Address ______

A/c No. ______

APPLICATION DETAILS (Please use block capitals)

1. Forename(s) in full ______ 2. Forename(s) in full ______

Surname ______ (Mr/Mrs/Miss or Title) Surname ______ (Mr/Mrs/Miss or Title)

Address (in full) ______ Address (in full) ______

3. Forename(s) in full ______ 4. Forename(s) in full ______

Surname ______ (Mr/Mrs/Miss or Title) Surname ______ (Mr/Mrs/Miss or Title)

Address (in full) ______ Address (in full) ______

[illegible]

Note: A corporation should complete under hand by a duly authorised officer who should state his representative capacity.

1. ______ Date ______
2. ______ Date ______
3. ______ Date ______
4. ______ Date ______

NOTE

A "U.S. person" includes a national or resident of the United States of America, a partnership organised or existing in any state, territory or possession of the United States of America, a corporation organised under the laws of the United States of America or of any state, territory or possession thereof, or any estate or trust other than an estate or trust the income of which from sources outside the United States of America (which is not effectively connected with the conduct of a trade or business within the United States of America) is not included in gross income for the purposes of computing United States federal income tax. For the purposes of this definition "United States of America" includes the United States of America, its territories, possessions and areas subject to its jurisdiction.

If you are unable to make this declaration, you may still be able in certain circumstances to subscribe for Participating Shares, but you should contact the Managers for details first.

NM INTERNATIONAL RESIDENTIAL PROPERTY FUND LIMITED

Donald Elkin looks at difficulties with Inheritance Tax

Step carefully into the grave

THE METAMORPHOSIS of Capital Transfer Tax into Inheritance Tax, announced in last year's Budget, appeared at first sight to be a liberalising measure. Lifetime tax is no longer levied *on person to person* gifts ("potentially exempt transfers") regardless of their amount and, provided the donor survives for a period of seven years, the death charge is avoided too.

But the fact is, that the re-introduction of the estate duty *concept of gifts with reservation*, is making planning much *more difficult for those who* have capital resources but who nevertheless cannot afford to make large irrevocable gifts, reducing their income in the process. For one thing, these rules resulted in the outlawing of the very popular Inheritance Trusts (pioneered by Vanbrugh Life) and Discounted Gift Plans (of which Legal and General were the principal exponents).

Under the new rules, a donor *is not to be regarded as* disposing of assets at all unless *the donee immediately* takes possession and enjoyment of them *and* the donor is excluded from all future benefit.

Many of the major insurance companies — Vanbrugh and Legal and General among them —now have replacement plans taking account of the new legislation and it is instructive to see the very different *approaches adopted* by these former market leaders.

Under Legal and General's Inheritance Protection and Income Plan, *most of your* investment is allocated to a *Capital* Investment Policy—a single premium bond offering the usual range of investment links. Since this remains in your ownership throughout, you are free to realise it at any time.

However, the intention is for it to provide regular drawings both to pay you an income and to meet the annual *premium* on an inheritance protection *policy (the first premium* representing the balance of your original outlay). If, for example, you are 60 and your wife 57, both being in normal health for your ages, an investment of £100,000 could produce a tax free income of £4,878 per annum and life cover of £150,000 payable on the second death.

In addition, should the Capital Investment Policy increase by 10 per cent per annum (which is not, of course, guaranteed) its value after 20 years would be £207,000. Further all of these figures are variable. A higher life cover and/or income are available at the cost of a lower residual value in the CIP.

The regular premiums are treated as gifts which, if paid *within seven years of* your death and to the extent that they exceed your £3,000 per annum allowance, would eat *into your £71,000 tax*-free band.

When you die (or if a joint life basis was adopted, when you and your spouse have died), the Inheritance Protection Policy matures and the proceeds pass to the beneficiaries selected from those named at the outset, entirely free of IHT. Somewhat surprisingly, provided that due care is taken, the gift with reservation rules need not prevent the inclusion of your *spouse as a possible beneficiary*, thus allowing a fair degree of *protection against a decline in* your financial circumstances.

Vanbrugh Life's new offering, the Loan Trust, has superficial similarities to its *predecessor, involving as it* does an interest free loan. The *capital you allocate is paid over* to Trustees, perhaps partly in the form of a gift, but largely as a loan, the whole being invested in Vanbrugh's range of single premium Bonds. Income is provided by the Trustees drawing the annual 5 per cent tax free amount and paying it to you in part repayment of the loan. Naturally, you can demand the balance outstanding at any time, should you wish to do so.

An unusual feature of the plan, is that the Trustees preside over a Trust of convenience or bare Trust — in truth, no Trust at all. As a result, any beneficiary who is of age, can demand his share immediately — although it would probably not be in his interest to do so. This approach has the important result that gifts into the plan are potentially exempt transfers. But it also means that there can be no change in the beneficiaries (on whose lives the policies are based). They must be positively determined at the outset.

When you die, your estate will include only that part of the interest free loan not yet repaid, plus the gift element if the plan was effected within the previous seven years, whilst the beneficiaries will share the whole sum to which the Trust *has grown, entirely free of* IHT. Consequently, if you made *a £2,000 gift* and *a £98,000 loan* to the Trustees, taking repayment at 5 per cent per annum, the value of the fund for the beneficiaries at the expiry of 20 years (assuming a non-guaranteed 10 per cent per annum growth) would be £358,464. But the whole loan having then been discharged, no further benefits can be paid to you from the Trust—a possibility which can be *guarded against by a diversion* of resources at the outset.

Whether either of these plans or the variants which both companies offer are suitable for you, depends on your circumstances and the results you wish to achieve. *Maybe yet* another approach would be more *suitable*.

Whatever it is appropriate to do, you should do it soon. All opposition parties voted against the abolition of the IHT lifetime charge, so a change of government or even a hung parliament could herald a return to the "unavoidable tax" which Denis Healey, the author of CTT, always intended.

Lifetime gamble

SINCE THE March 1986 Budget it has been possible—as it was up until 1974—to gamble against the Revenue on your longevity. If you make a gift to someone, the beneficiary will avoid all inheritance tax (as capital transfer tax is now called) provided you live for seven years.

If you die at some point during those seven years the beneficiary will have to pay inheritance tax on the gift—though at a rate which dwindles the longer you survive.

But this week Edinburgh Fund Managers (EFM), which runs a stable of unit trusts from the Scottish capital, launched a scheme which is designed to offset any tax liability if you fail to complete the seven-year course. At its own expense it will take out a term assurance policy on the *life of the donor. EFM believes* the scheme is unique.

The scheme only *applies if* you are willing to put a minimum of £10,000 into a new unit trust investment, which you transfer on purchase to someone else.

To qualify for the scheme you also have to be under 55 and to satisfy EFM that you are in *good health and do not indulge* in "hazardous pursuits"

The investment of £10,000 can go into one or more of nine *unit trusts, and you must nominate* the person to whom you want to give the units. EFM will then arrange term insurance with Lloyd's of London.

The policy is designed to yield tapering amounts of money, tailored to the likely tax liability EFM starts with the *assumption that the gift of the* units will attract the highest rate of tax—60 per cent. Inheritance tax is charged at the full rate in the first three years after the gift was made; the full 60 per cent of tax is payable up to that point.

The amount of tax payable tapers gradually: 48 per cent *if you survive for* between three to four years, 36 per cent if you *survive for* between four to five years, 24 per cent if you survive from five to six years, and 12 per cent from six to seven years. The term policy which EFM takes out will yield the appropriate amount for each of these periods, from 60 per cent of the sum invested over the first three years, down to 12 per cent in the last year.

If the beneficiary sells any of the units before the seven years are up, the benefit is reduced *pro rata*.

EFM disclaims responsibility for the effectiveness of the scheme from an inheritance tax point of view, and says that if in doubt you should consult your tax adviser. But for many people the tax provision under the scheme may turn out to be generous. The full 60 per cent rate of inheritance tax is only levied after the cumulative total of assets in the estate of the *deceased person* reaches £317,000. So if your estate *comes to less than that*, and you fail to complete the seven years, *the beneficiary of your* gift of unit trusts should have more than enough to meet the tax liability.

An explanatory leaflet and application form on the scheme is obtainable from EFM Unit Trust Managers, 4 Melville Crescent, Edinburgh EH3 7JB.

James Buxton

BRIDGE

IN THE *early days of contract*, players realised that to double a freely bid slam contract in the hope of getting an extra 50 or 100 points was a mistake—it became known as the Sucker's Double. And so the Lightner slam double was born.

This asks for an unusual lead —clearly not a suit bid by either defender. Take this hand, played many years ago in a rubber of good standard:

N.
♠ A J 7 5
♡ 4
◇ A K 10 9 3
♣ Q J 2

W.
♠ 4 2
♡ Q 8
◇ 8 6 5 4 2
♣ 9 7 4 3

E.
♠ 8 3
♡ K J 9 7 6 5 2
◇ —
♣ A 8 6 5

S.
♠ K Q 10 9 6
♡ A 10 3
◇ Q J 7
♣ K 10

With North-South vulnerable, South dealt and bid one spade, North forced with three diamonds, and East came in with three hearts. South rebid four diamonds, North said four spades. South introduced a Blackwood *four no trumps*, and went six spades after his partner's response of five hearts. After two passes East doubled.

This double forbids his partner to lead a heart, and asks him to find an abnormal lead. It was not difficult for West to find the right lead—of a diamond; East must be void.

East ruffed the opening lead, and cashed his ace of clubs to put the contract down.

If East does not double, West *will lead the queen of hearts*. The declarer takes his ace, and draws trumps with ace and king. Now he ruffs a heart, returns to his knave of diamonds to ruff another heart on the table, runs the diamonds, throwing clubs from hand, and claims 13 tricks.

The Lightner double is a useful weapon.

Take a look at the next hand, which occurred a few days ago:

N
♠ K 9 5 4
♡ K
◇ K J 3
♣ K 9 7 5 4

W
♠ 10
♡ Q 9 7 6 5 4 2
◇ 2
♣ J 8 3 2

E
♠ Q 8 7 6 3
♡ A 10 8 3
◇ 8
♣ A 10 6

S
♠ A J 2
♡ J
◇ A Q 10 9 7 6 5 4
♣ Q

At game all South deals and bids one diamond. North *replies with one spade*. South rebids three diamonds, North *raises to five diamonds*, and South decides to bid six.

If East passes, West will lead either a heart or a club, and the slam is defeated.

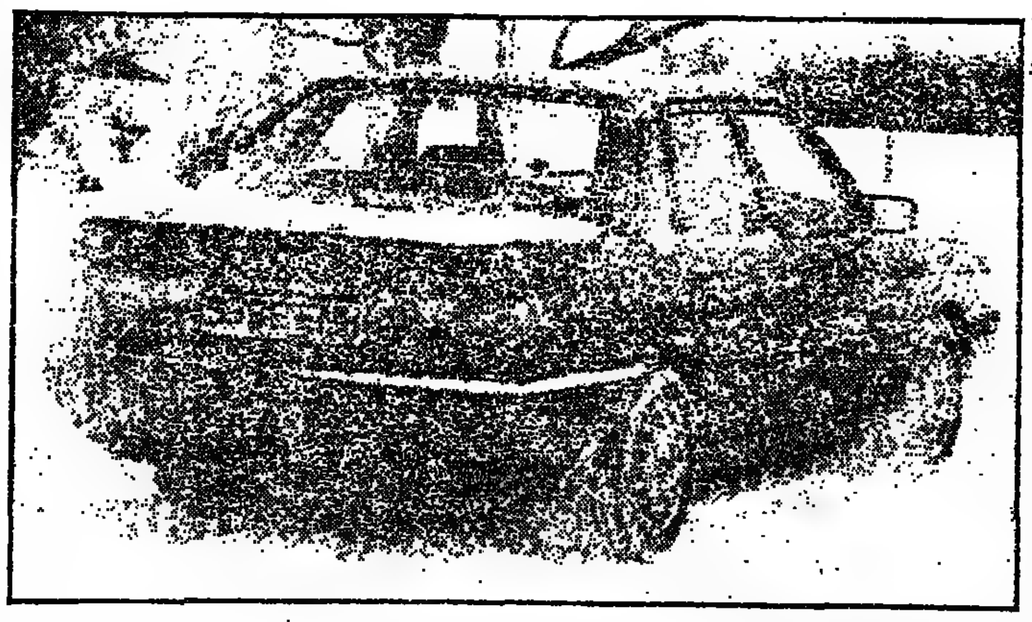
But East doubled, so West led the ten of spades—the suit bid by dummy.

The declarer won with his knave, and ran *seven rounds of* trumps, throwing four clubs from the table, and East discarded three hearts, two clubs, and a spade. The declarer cashed the ace of spades, West showing out, and East's hand was an *open book*. South now turned the screw by playing his last diamond, *on which dummy's* king of clubs is discarded. East agonised, but finally parted with his eight of spades. This allowed dummy to score two spades and deliver the slam, but East made his ace of hearts to save the overtrick.

Lightner never strikes twice in the *same* place.

E. P. C. Cotter

The difference between driving and a car stranded at home can depend on the choice of tyres. Stuart Marshall offers advice



The Audi 90 quattro, very much at home in the snow with its all-wheel drive

Goodbye to wheelspin

PEOPLE who have bought a four-wheel driven car must have congratulated themselves on their foresight when the latest wintry spell arrived.

Splitting the engine's power among four tyres, not two, is the best answer to roads covered with snow and ice, as many a driver of a Subaru, Ford Sierra and Granada 4x4, Audi quattro, Toyota Tercel estate and Fiat Panda 4x4 will have discovered. And all of these cars are just as good to drive under normal conditions as their front-wheel or rear-wheel driven counterparts.

Traction control systems which match the power delivered to a wheel to the adhesion between tyre and road have been developed by Mercedes and Volvo. They are a great help and cost and weigh less than four-wheel drive.

I tried two Mercedes systems in northern Sweden a year ago and found they de-skilled driving a big car on a frozen lake. Volvo has a similar traction control system which I am due to try in a week or two in the arctic. More of this soon.

The choice of tyre can also mean go or no-go on slippery surfaces. After a nine-inch fall of snow one night last week, the Nissan Silvia Turbo I have on test remained trapped at the end of my drive, even though I had shovelled snow for an hour to give it elbow room for a run at the gentle, curving slope.

The V-rated tyres, which grip wonderfully on dry or wet roads, were useless in snow. With the merest tickle of throttle they spun. I gave up and got into my Peugeot 305 GRD estate. With the diesel at little more than tick-over, it went up the slope without a hint of wheelspin. Its ordinary S-rated (up to 113 mph) speed rated tyres have twice the grip on snow of the Nissan's safe at 130 mph-plus ultra-low profile fatties.

Tyres are always an important factor in safe motoring. Responsible drivers give them the minimal attention they need. A monthly pressure check and a quick once-over to ensure there are no sidewall cuts and that they are wearing evenly is all one has to do.

People who bang them into kerbs, run them under-inflated and ignore signs of front wheel misalignment pay twice as much per mile for their tyres than those who treat them considerately.

My concern at the moment, though, is not tyre wear but tyre grip. Specifically, what kind of tyres one can fit to ensure maximum mobility in severe winter weather?

There are four alternatives—normal "summer" pattern tyres; all-season tyres; snow tyres and full-blooded winter tyres, possibly with spikes.

Summer tyres, fitted by the overwhelming majority of car makers as original equipment, are fine for 99 per cent of the time. The greater the depth of their tread pattern, the better they grip in snow and slush.

The three most common speed ratings are S, H (for speeds of up to 130 mph) and V (for 130 mph and over). The higher the speed rating, the worse their grip in snow and ice.

The obvious solution of fitting a lower speed-rated tyre to a fast car for the sake of better winter grip will not do. It is unwise and may be illegal, even if you do not intend to exploit your car's full performance. Tyres of H and V speed rating are stronger and provide sharper handling than S rated tyres.

For best traction, follow the car manufacturer's recommendations on tyre pressures. Letting the tyres down a bit will not increase grip; it could even make it worse.

All-season tyres are extremely popular in the United States. They are fitted to nearly all new cars sold in the snow belt and are nearly as good in wintry conditions as a full-blooded M+S (mud and snow) tyre. Because their pattern is less knobbly, they run quietly on clear roads and wear at about the same rate as a summer tyre. As the name suggests, they are left on the car all year round.

Two of the best known all-season tyres are Goodyear's Vector and Semperit's Top Grip. Both should be available at specialist tyre dealers, though you might have to 'phone around to find them.

I have not tried the Top Grip but Semperit says they are even better on snow and ice than some specialist winter tyres. A German magazine gave them highest marks in a recent winter tyre test and said they were the best for all-year-round characteristics.

Most manufacturers have either an all-season tyre or a winter tyre with a not-too-aggressive tread pattern in their ranges.

Snow tyres area variety of winter tyre and are normally not suitable for studding with tungsten carbide spikes for ice grip. They have a deep tread pattern composed of hundreds of separate blocks. The blocks move around slightly as the tyre rolls, allowing snow to be thrown clear instead of packing the spaces between them.

They cannot be used all year round satisfactorily because in warm weather and on dry roads they would wear very rapidly. Also, they are are fairly noisy.

Winter tyres used to be so knobbly-treaded one might have thought they were from an army truck. Modern ones are far less aggressive rubber compounding, work much better.

Most winter tyres can be studded — but a word of warning. Studs are not much help in the kind of winter weather Britain usually has. But they are marvellous in very low temperatures when the roads are covered with packed down snow that has frozen into solid sheet ice.

On roads clear of snow and ice, studs actually reduce grip and they are extremely noisy. Some countries, notably Germany, do not allow studded tyres at all.

All special purpose tyres are best fitted in complete sets. Real winter tyres — especially if studded — must be used on all four wheels. Otherwise, you would have a car that could be driven in extremely slippery conditions but would be difficult to steer or stop.

The whole subject is infinitely complicated. But to sum up, if you want more snow grip than a summer tyre provides but wish to use the same set all year round, then an all-season tyre is for you — but not if your car needs a V-rated tyre.

They cost a little more than a summer tyre but should last nearly as long. Snow tyres or proper winter tyres should be needed by only a very small minority of British motorists. Whereas Goodyear's Vector all-season tyre is freely available in a number of popular sizes, special winter tyres (like Goodyear's Ultra Grip III or its Eagle M+S for higher performing cars) will have to be specially ordered.

Any reader with a tyre problem would do well to consult a local tyre specialist rather than the dealer for the make of car they own.

Roger Beard drives through Corsica and explores its troubled past

Passion of another Casanova

THERE IS in north-west Corsica a typical, tumbling village — Piana — on a typical, winding minor French road, the D82, just along the coast from the breeze-block *port de plaisance* of Porto. Climb past the red granite cliffs of Les Calanches, a bizarre outcrop awarded three stars by the Michelin Green Guide geologists, and the modern anonymity of the Capo Rosso Hotel, and you are there.

Two things mark Piana as specifically Corsican. The first is its architecture—two-storey whitewashed cottages topped in red tile, with narrow streets dominated by the tall tower of its Pisan church. The second takes some finding, but the simple bronze bust of Danielle Casanova, the last in a long line of Corsican patriots, tells it all. She died in Auschwitz in May 1943, aged 35, just four months before the nation for which she fell was liberated.

Look upon her monument, and out to the spectacular views over the Golfe de Porto, and I defy you not to weep. She was the inheritor of a 600-year history of independence which marks Corsica out as a country, rather than just a province of France.

Pisan first — it was they who built the churches — then Genoese for five centuries, and then French for the past two, several groups have claimed the land, but none has ever owned the Corsicans. Indeed, their history is spotted with periods of independence, bloodily fought for.

It shows in the people, who are self-contained and not over-friendly, and in their language, derived from Italian but an entity in its own right. Get to know them, though, and you will be rewarded with a unique cuisine which seldom features on the international menus of the beach resorts.

Back at Piana there is one hotel which will never equal the Grand Hotel des Bains on Venice Lido or Raffles in Singapore, but which echoes the same *fin de siecle* feel. Les Roches Rouges may be peeling, the English Edwardians long since gone, but the magnificent dining room, the view over the bay, and the gardens are still there.

If you feel that Corsica is set back in time, you are right. Take the coast road on the D81 from Porto to Calvi, the last refuge of the Genoese, and promoted as a thriving tourist resort. It is also a garrison town — the home of 4,000 members of the 2nd parachute division of the Foreign Legion, waiting for some foreign war which will now never take place.

To sit in a bar on the busy waterfront is to be in a marine North Africa. For every 50 tourists there might be ten legionnaires and a brace of white-kepi'd military policemen. They take nothing away from the resort; indeed they add to it.

Similarly, on the citadel — now a Legion barracks — there is a reminder of Africa. Corsica abounds in 17th century wood-carved religious figures, but the Christ in the small chapel on the left of Calvi's John the Baptist Church is different. Black Madonnas may be ten a candle throughout Southern Europe, but here they have a black Christ.

From Calvi on, you are now at the centre of the major tourist coast on the island — sweeping, even dazzling beaches, with their ration of nudists at the far end; very French but without the high-rise blight so evident on the mainland.

This coast also has another advantage. The narrow-gauge railway which bisects the island from north to south runs along it. The Corsican *chemin de fer*, designed and built by Eiffel, normally cuts through high mountain gorges, but here runs flat along the coast.

Ile Rousse is different again. Established by Pascal Paoli, the temporary founder of the 18th century Corsican republic which lasted for just six years, its port connects direct with the French mainland ferries, and its squares, plane trees, and bars are similarly Provencal.

Up here you eat fish, or rather sea urchins, langouste, and the whole Mediterranean range, far more cheaply than you could on the mainland, though the myth persists that Corsica is expensive. You can also drink the two wines of which the Corsicans can be truly proud. The first, the Cap Corse and Patrimonio reds, are similar to Cotes du Rhone; the second, the Muscat, is in many experts' view superior to that of the mainland.

When the *pieds noirs*, the whites, left Algeria, they, plus the *harkis*—the Algerians who had worked for them—and the Foreign Legion were mainly resettled in Corsica with a French Government grant, which still exists today.

One result is that tobacco on the island is cheaper than in the duty-free shops. Another is a very particular hotel at Ile Rousse. Based on a *bergerie* (sheep farm), still with the mangers in the dining room, La Bergerie offers couscous and other North African dishes of a fragrance straight from the Black Continent.

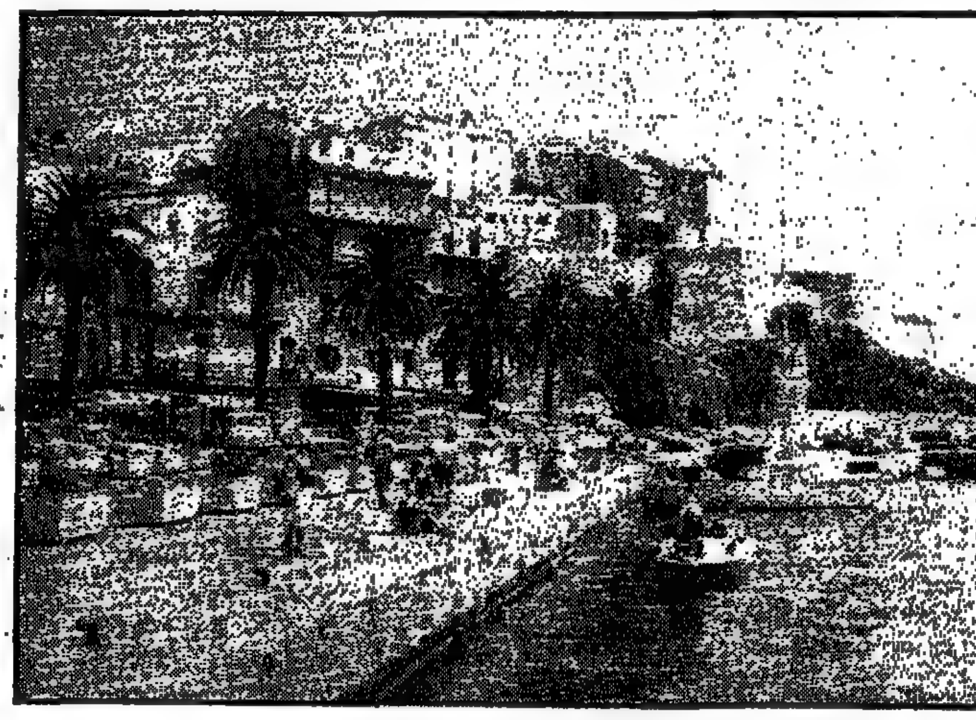
With rooms in a modern annexe, the beach and palm trees beside you, why pay the fare to Algiers or even Casablanca? That is provided you can turn your back away from the coast, at least once in a while, and look to the mountains which dominate the backdrop up to 8,000 ft.

For that, and almost anything else in Corsica, you will need a car. Hired locally, there are 13 separate companies at Ajaccio Airport, and you will be stung. Far and away the best holiday bet is fly drive, with your car paid for in the UK at half the cost.

This will give you access to Corte, the old capital otherwise locked away in the mountains, the smaller mountain villages, and most particularly Cap Corse, which looks on the map as if it should talk French, but mainly talks Italian.

Do not be put off by the roads. The guide books go on about their state, and they are wrong. Corsican roads, even on the coast, are full of hairpins, drops, and the full range of mountain horrors. They are, though, very well maintained. Only one point of warning: the locals all think they are rally drivers.

- For fly drive, contact Falcon Holidays, 33 Notting Hill Gate, London W11 3JQ.
- Guides and maps: Michelin, Guide de Tourisme, Corse, and yellow Michelin map No. 90 for Corsica. Further reading: Mediterranean Island Hopping, Facaros and Pauls, Sphere Books.



On the waterfront at Calvi, where legionnaires mingle with tourists

Train spotting Chinese style

WHEN MOST people think China, they don't think Heilongjiang. Not far south of Siberia, the province's main claims to fame are that 50 degrees below is nothing, and that about 100,000 Soviet troops are massed on the other side of the border.

But Peking has exhorted the country to "get rich through labour," so Heilongjiang, like most other Chinese provinces, has turned to tourism in the hope of earning badly needed foreign exchange. While it has been hindered by a lack of "scenic spots," as the Chinese refer to natural wonders and the like, the province has found there is good money in foreign eccentrics.

Tours have been organised for train spotters, bird-watchers and welding enthusiasts, as well as for those with a deep and abiding interest in the honey, logging and oil industries. The returns have been good enough for the manager of the provincial tourist bureau, Zhang Xiwen, to observe: "Heilongjiang is lucky so many foreign people have unusual interests."

Mr Zhang conceded that "if people were only interested in sightseeing, they wouldn't come here." He and his fellow travellers get their ideas from foreign magazines, visiting travel agents and from their own fertile minds.

"People told us that in the world there is a large number of people interested in locomotives," he said. "This year we had about 200 locomotives enthusiasts, mostly from Britain and Germany."

Heilongjiang has a collection of old but operative locos from Britain, the US and the Soviet Union, as well as the local product. In most parts of China, diesel engines have moved in but the steam locomotive is still king in the northern province.

Touring train-spotters start with a visit to a line signal and shunting station in Harbin, the province's capital. They then inspect a railway depot and take a train to a coal mine, which has a plethora of puffing and heaving locomotives.

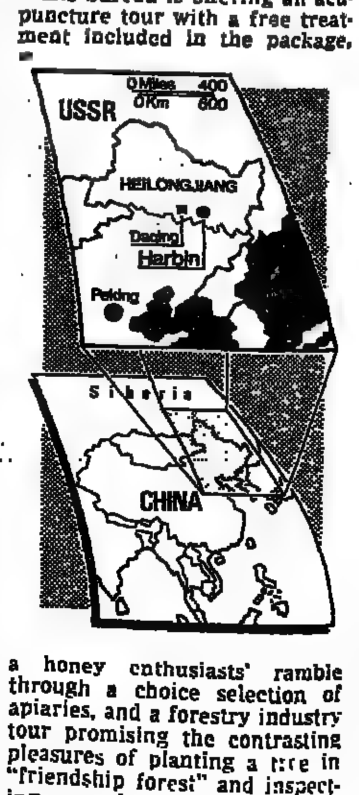
Zhang Xiwen said train spotting has a "high" and "low" season, with November through to March the prime period. "You can get a good view then, the snow is whiter and the train is black."

Welding enthusiasts begin their tour with an inspection of the Harbin Welding Institute, then move on to the Harbin Welding Electrode Factory, and are shown the sights of the Harbin Boiler Plant. Oil industry aficianados — a touring group has yet to be organised, but Mr Zhang is hopeful — will be escorted around the "scenic spots" of a petrochemical research institute, and see oil extracting techniques in action.

Heilongjiang is home to the country's largest oil field, Daqing, which is legendary for its unpleasant climate and all-round harshness. The great helsman Mao Zedong, was so moved by the successful development of the field, west of Harbin, that he coined the phrase "Industry, learn from Daqing" during the chaotic days of the cultural revolution, when touting for tourism would have been a one-way ticket to persecution.

Last year, the province had about 7,000 tourists, and the same number is expected this year. Mr Zhang said tourism growth slowed last year around the country — the number of foreign visitors was up 7 per cent in the first nine months—but he is convinced that unusual tours are a growth industry.

His bureau is offering an acupuncture tour with a free treatment included in the package,



a honey enthusiasts' ramble through a choice selection of apiaries, and a forestry industry tour promising the contrasting pleasures of planting a tree in "friendship forest" and inspecting several lumber yards.

Realising that westerners have had their fitness consciousness raised, and that dollars are to be raised as a result, Heilongjiang wants to offer itself as something of a health farm with a "build-up" course for geriatrics, that according to the brochure blurb, will "keep you from senility."

- In London, the China National Tourist Office is at 4 Glentworth Street, NW1. Telephone (01) 935 9427.

Robert Thompson

End of trust

On the death of my mother I became the sole life-renter of a small will trust left by my father. As I am 84 I would like to pass this over to my three nephews who are the ultimate legatees.
The trust is an English one and has been kept there. I have had the income therefrom for about 20 years. There are two trustees who are in agreement. With the tax position in mind, which is the best way to deal with this?

Discuss with the trustees' solicitors the possibility of bringing the trust to an end by actuarial division. We take it that your three nephews are all over 18.

No relief for age

In your weekend column of Readers' queries of October 19 1985 (of which I enclose a copy) you dealt with the situation as it affects age relief.
As a marginally higher rate taxed person, I understand I am entitled to relief against higher rate tax for covenants. I have a number of four-year charitable covenants which the inspector does accept for relief, but he will not accept a seven-year covenant for a grandchild of which my daughter is trustee.

What your tax inspector says is substantially correct — that is to say he has probably arrived at the right answer by what is technically the wrong route. All the annuities are deductible from your total income, but the annuity received by your grandchild is deemed to be your income (and not hers) for the purposes of higher-rate tax only. This is not quite the same as saying that the annuity payable to your grandchild is not deductible from your total income for higher-rate purposes, but the final tax bill is probably the same either way. It would have been easier to help you if you had given us the figures.

Tax on treasure

The substance of my enquiry is that my husband gave permission for a gentleman to use a metal detector on land owned by us also on land of which we are the tenant. A valuable jewel was found on the tenanted land and was awarded to the finder at the Coroners Court.
We had an agreement that the proceeds of the jewel, when sold, be divided between the finder, the landowner and ourselves. This jewel was sold recently for a very high price —what is our tax position— will there be anything to pay?

On the bare facts outlined, you (and the landowner) face income tax bills at up to 60 per cent. It is surely worth consulting a local accountant or solicitor. If the agreement was not put down in writing, try to remember exactly what was said: it may be crucial.

Rates—in waiting

I moved into a new house about 10 years ago and in spite of council workmen dealing with a number of minor problems over the period, I have, so far, not received a rate bill.
I am somewhat reluctant to ask to settle a bill I have not been requested to pay but have I any legal responsibility to ensure that I get sent accounts for services I use.

You have no responsibility in law to ensure that the local authority send you a rate demand. It seems likely that your property has not been entered on the valuation list, in which case the extent to any claim for rates which may be raised against you if the rating authority discovers its error will be limited to the year in which the property is first shown on the list; so you would not be liable to pay for earlier years, if that proves to be the case.

BRIEFCASE

Forged signature

A unit trust certificate belonging to me was fraudulently cashed on a forged signature by a commissioning agent (whose trial for fraud comes up shortly), and the question is which of us has been defrauded, the company or me. The company simply says that its trust deed absolves it from liability in cases such as forgery and fraud. This may be legally watertight, but the spirit of it strikes me as being a bit scaly. Have you any comment please? At present my solicitor is having a go at the perpetrator of the forgery for recovery of the amount in question.

It is necessary to distinguish between a claim for financial loss (if any), which may well have to be pursued against the wrongdoer, and a claim to reinstate your position as the holder of the certificate. The position which your solicitor may wish to adopt is that there has been valid transfer or encashment of your certificate and that you therefore remain the true owner of the units in question. Thus by making a claim to reinstatement rather than for a sum of money you may be in a stronger position as against the company (provided that you were not negligent in permitting the certificate to be in the hands of the forger).

Loans on a mortgage

I have lived in the same house for a number of years and presently have a £33,000 mortgage provided by a bank and would like to realise some of my substantial equity.
If I can persuade the mortgagor to grant me or possibly change mortgagor to obtain a larger loan to be used for purposes other than the improvement of the property would I be putting in jeopardy the tax relief on the £30,000 of my existing loan which presently qualifies? I ask this question with particular reference to the declaration on the form MIRAS 5 regarding the purpose for which the loan is used.

It will probably be best to try to get a separate loan for the nonqualifying purpose, rather than a simple increase in the existing loan, either from the present mortgagee or from a new lender. If the two loans are amalgamated, then any subsequent repayment will effectively be treated as reducing the qualifying and nonqualifying portions ratably. Of course, this point may be academic if you do not intend to make any partial repayments before redeeming the mortgage in toto.

You will find general guidance in two free pamphlets obtainable from your tax inspector.

IR11 (1985)—Tax treatment of interest paid.
IR63 (1986)— MIRAS.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Bigger shares of the cake

As British Airways prepares to take off, solicitor David Cohen, co-author of a recently published study* on the tax implications of flotations, starts a series on the subject by looking at the tax ins-and-outs of applying for new issues.

THE MAJORITY of participants in any stock market flotation are the members of the public who apply for shares. To maximise their profits — and mitigate any losses — new issue investors need to be aware of the various taxes to which they may be exposed. Capital gains tax, income tax, stamp duty reserve tax and value added tax can all be relevant.

Capital gains tax will have an immediate impact on "stags" — those who buy new issues with the sole intent of making an immediate profit on sale. The general rule is that if net gains for any tax year exceed the annual exemption—currently £6,300 — CGT will be payable on the excess at 30 per cent.

The investor can deduct the direct costs of acquiring the shares. For stocks which are already quoted on the stock exchange the main cost will be the stockbroker's commission. But since new issues are now usually acquired by direct application the only relevant expenditure will usually be the cost of postage.

Frequently, applicants will be making use of borrowed funds, particularly on the more popular issues, where the only way to obtain a reasonable allocation is to apply for far more shares than you really want — or can afford. Unfortunately, interest payments and other costs of raising finance are non-deductible under the CGT rules.

Stag investors will usually be reconciled to forfeiting the CGT indexation allowance, which is now a significant relief for longer-term holders of shares. But even if you buy a new issue intending to sell at the first opportunity, a short delay may sometimes be worth considering. If dealings start towards the end of a calendar month, holding off the sale until the beginning of the next month will at least give one month's indexation. If the wait is only a matter of days it may be worth it, though even a small decline in the share price is likely to outweigh any potential tax saving.

The only deduction from the disposal proceeds will usually be stockbroker's commission, together with VAT. Investors who are resident outside the UK for tax purposes will be exempt from VAT.

Not all new issues provide rich pickings for the Revenue. In 1986, stags who were attracted by the glamour of Morgan Grenfell and Virgin had the melancholy task of trying to make the best use of their losses. Normally, all that can be done is to offset them against gains. However, if the new issue has flopped on the Unlisted Securities Market or on the new Third Market, there may be the chance to achieve something more ambitious.

Under the 1980 Finance Act a taxpayer who suffers a loss on the sale of shares—other than fully quoted shares—can opt to set the loss against income rather than capital gains. For higher-rate tax payers this can mean relief of up to 60 per cent —twice as valuable as a CGT offset. But the availability of this concession is conditional upon the investor having acquired his shares from the company itself rather than from an existing shareholder.

Until about three months ago, it was seldom possible for new issue applicants to satisfy this condition. The typical structure of public offers was that the sponsoring bank or broker subscribed for the whole issue in its own name and then sold the shares on. In such circumstances, the Revenue insist on a strict application of the statutory condition and relief is therefore denied.

The whole pattern has now changed because of the new stamp duty rules which came into force on the stock exchange Big Bang day — October 27, 1986. Transfers of new issues are no longer exempt from duty, and selling the shares via a bank creates an additional 0.5 per cent charge which can be avoided by a direct sale to the public. Since the advantages of interposing the sponsor were anyway rather marginal, it is hardly surprising that flotations since the Big Bang have plumped for the direct sale route.

However, although this removes the major obstacle, it is still unlikely that full income tax relief will be available for a USM or Third Market loss.

This is because the typical offer for sale comprises a mixture of shares newly issued by the company and existing shares being sold by the original shareholders. Relief may be available for the former but never for the latter. Since it is not possible to identify which particular shares are acquired by each individual applicant, it is assumed that all applicants receive new and old shares in the same proportions.

Suppose, for example, that shares in Newco were floated on the USM at £1.50 per share and that of the 4,000,000 shares on offer 2,500,000 were newly created and 1,500,000 came from existing holders. Ms X is allotted 2,000 shares which she subsequently sells for £1 per share, sustaining a £1,000 loss.

Since the ratio of new:existing shares was 5:3 Ms X is assumed to have acquired 1,250 new shares. So the loss of £625 on those shares can be used to reduce her income tax bill, while the remaining £375 loss is attributed to existing shares.

*"Tax Aspects of Going Public," by David Cohen of Paisner & Co and John Power of Touche Ross, price £5.50, is available from Chartac Books, The Institute of Chartered Accountants in England and Wales, 399 Silbury Boulevard, Central Milton Keynes, MK9 2HL.

The Investment Trust Table

The figures in the columns below are based on information supplied by the companies named, which are members of The Association of Investment Trust Companies. The figures are unaudited.

as at close of business on Monday 19th January 1987						as at 31st December 1986					
Total Net Assets (1) £million	INVESTMENT POLICY Trust (2)	Management (3)	Share Price (4) pence	Yield (5) %	Net Asset Value (6) pence	Geographical Spread UK (7) %	Nth. Amer. (8) %	Japan (9) %	Other (10) %	Gearing Factor (11) base=100	Total Return on N.A.V. over 5 years to 31.12.86 (12) base=100
	CAPITAL & INCOME GROWTH										
578	Alliance Trust	Independently managed	904	3.5	1139	36	50	9	5	92	307
155	Bankers	Touche, Remnant	148	0.7	175	41	29	13	17	108	358
414	British Investment	Independently managed	517	4.3	655	51	23	24	2	89	285
100	Brunner	Kleinwort Benson	112	3.1	140	49	32	3	16	105	288
686	Edinburgh Investment (w)	Dunedin Fund Managers	172	3.0	211	54	17	9	20	101	307
904	Foreign and Colonial	Foreign & Colonial	116	2.0	143	33	24	18	25	104	338
1096	Globe	Electra House Group	138	3.8	175	67	21	9	3	98	292
448	Govett Strategic	John Govett	293	1.8	362	49	7	9	35	120	325
13	Jos Holdings	Kleinwort Benson	146	3.2	170	81	6	1	12	94	311
58	Keystone	Mercury Warburg Inv. Man.	312	2.5	378	58	27	–	15	102	357
119	Kleinwort Charter	Kleinwort Benson	119	3.1	145	68	19	7	6	99	295
8	Lancashire & London (q)	Finsbury Finance	172	5.8	212	96	4	–	–	71	†
39	London & Strathclyde	Gartmore	199	2.1	246	67	30	1	2	99	279
61	Meldrum	Gartmore	132	3.0	151	94	5	1	–	100	329
110	River and Mercantile	River & Merc. Inv. Man.	194	4.4	226	58	35	2	5	98	302
58	River Plate & General (w) △	Tarbutt & Co.	300	4.1	344	77	10	–	13	94	259
51	S. & P. Ret. of Assets (w) △	Save & Prosper Group	142	3.4	204	83	17	–	–	138	†
29	Scottish & Mercantile (q)	Finsbury Finance	98	1.4	110	75	2	–	23	102	†
24	Scottish Cities (q)	Finsbury Finance	540	6.8	713	98	2	–	–	72	†
618	Scottish Mortgage	Baillie, Gifford	601	2.1	755	42	20	15	23	111	355
295	Scottish National	Gartmore (Scotland)	338	2.2	402	53	26	13	8	102	282
193	Second Alliance	Independently managed	788	3.3	997	38	49	9	4	95	310
651	TR Industrial & General	Touche, Remnant	121	2.4	147	51	24	16	9	100	261
602	Witan (w)	Henderson	126	2.1	158	57	19	12	12	104	336
	United Kingdom										
15	City of Oxford	Hambros Bank	62ac	3.9	72ac	99	1	–	–	97	276
50	Fleming Claverhouse	Robert Fleming	219	3.6	251	100	–	–	–	99	326
67	Shires (w)	Stanecastle Assets	200	9.7	227	79□	12	–	9	69	215
160	TR City of London	Touche, Remnant	67	4.7	79	90	10	–	–	100	332
127	Temple Bar	Guinness Mahon Inv. Man.	184	4.4	220	99	1	–	–	98	348
	CAPITAL GROWTH										
	General										
311	Anglo-American Securities	Morgan Grenfell	482	2.0	540	39	28	24	9	101	300
187	Atlantic Assets	Ivory & Sime	116	0.7	150	23	76	–	1	99	194
106	Electric & General	Henderson	458	1.5	547	53	22	10	15	98	346
38	Greenfriar (w)	Henderson	444	0.6	400	56	12	5	27	107	396
6	Personal Assets (q)	Ivory & Sime	43	1.2	55	60	40	–	–	101	†
15	Unitycorp Trust (w)	APA Ifico Inv. Man.	109ac	3.5	118ac	86□	14	–	–	56	†
	International										
101	Berry	GT Management	278	0.6	310	49	19	7	25	102	315
111	English & Scottish	Gartmore	115	1.7*	133	41	19	9	31	93	300
51	F & C Eurotrust	Foreign & Colonial	307	0.8	283	23	–	–	77	133	471
298	Fleming Overseas	Robert Fleming	177	1.6	223	6	44	16	34	97	309
133	Fleming Universal	Robert Fleming	169	1.3	201	13	40	13	34	100	288
22	Gartmore European (w)	Gartmore	400	0.7	415	25	8	–	67	106	292
65	Gartmore Inform. & Fin. (w)	Gartmore	56	2.8	68	61	38	–	1	107	203
87Ø	General Funds (q)	City Financial	224	1.3	236	31	13	32	24	104	311
10	German Securities (w)	Liechtenstein (UK)	116	0.9	123	–	–	–	100□	63	†
170	Hambros (w)	Hambros Bank	223	2.8	277	57	30	6	7	106	251
65	'Investing in Success' (q)	City Financial	948	0.9	1006	29	11	39	21	105	295
152	Kleinwort Overseas	Kleinwort Benson	153	2.3	187	10	41	13	36	98	307
18	Mid Wynd International	Baillie, Gifford	215	1.6	251	22	30	14	34	100	356
233	Monks	Baillie, Gifford	244	1.5	299	30	24	15	31	100	301
133	Murray Smaller Markets	Murray Johnstone	396	1.0*	429	14	5	16	65	105	395
13	Nordic △	GT Management	64	0.4	78	15□	–	–	85	102	†
96	North Atlantic Securities △	Morgan Grenfell	390	1.2	491	–	42	38	20	96	279
202	Northern American	Dunedin Fund Managers	437	1.7	537	15	23	21	41	97	315
32	Northern Securities	GT Management	247	1.3	284	64	17	9	10	97	278
137	Romney	Lazard Brothers	406	1.7	476	10	37	29	24	98	286
372	Scottish Eastern	Martin Currie Inv. Man.	136	2.1	169	54	15	13	18	109	308
500	Scottish Investment Trust	Independently managed	427	2.2	524	32	28	16	24	105	289
16	Stratton Investment Trust	Baring Inv. Man.	103	–	127	56	17	14	13	97	†
102	Trans-Oceanic	Schroder Inv. Man.	235	2.5	279	33	36	13	18	97	254
109	Tribune	Baring Inv. Man.	171	2.3	211	45	23	14	18	94	311
293	U.S. Debenture Corp.	GT Management	326	2.8	378	48	23	11	18	110	269
	North America										
155	American	Edinburgh Fund Mgrs.	151	2.9*	183	22	78	–	–	102	223
156	Edinburgh Amer. Assets	Ivory & Sime	119	0.7	149	14	80	3	3	109	234
147	Fleming American	Robert Fleming	597	1.4	704	2	98	–	–	99	233
37	Gartmore American Secs.	Gartmore	157	1.2	187	15	83	1	1	111	303
157	Govett Atlantic	John Govett	155	2.7	190	16	83	–	1	94	205
84	TR North America	Touche, Remnant	107	2.4	129	6	94	–	–	96	235
	Far East										
7	Australia (w) △	Clayton Robard (UK)	106	0.3	130	–	–	–	100	98	†
47	Drayton Far Eastern (w)	MIM	205	0.8	260	2	2□	57	39	100	314
176	F & C Pacific (w)	Foreign & Colonial	231	0.9	301	6	19	50	25	102	316
327	Fleming Far Eastern	Robert Fleming	149	0.9	206	1	–	68	31	101	408
314	Govett Oriental	John Govett	257	1.3	341	6	–	61	33	104	366
25	Martin Currie Pacific (w)	Martin Currie Inv. Man.	162	0.5	191	10	–	59	31	58	†
16	Pacific Assets (w)	Ivory & Sime	120	0.8	126	6	–	–	94	100	†
43	TR Australia (w)	Touche, Remnant	117	2.0	136	6	–	–	94	101	224
208	TR Pacific Basin (w)	Touche, Remnant	209	0.7	276	2	–	72	26	98	435
	Japan										
55	Baillie Gifford Japan (w) △	Baillie, Gifford	397	0.1	508	–	–	100	–	94	541
14	Baillie Gifford Shin Nipp. (w)	Baillie, Gifford	66	1.0	80	–	–	100	–	98	†
109	Crescent Japan	Edinburgh Fund Mgrs.	238	0.2	323	–	–	100	–	99	437
251	Drayton Japan	MIM	672	0.2	923	5	–	94	1	101	410
168	Fleming Japanese	Robert Fleming	149	0.6	209	2	–	98	–	100	419
98	GT Japan	GT Management	239	0.8	316	6□	2	91	1	95	460
66	Japan Assets (w)	Ivory & Sime	66	0.1	81	1	–	99	–	90	355
73	New Tokyo (w)	Edinburgh Fund Mgrs.	256	0.4	337	–	–	100	–	86	435
	Commodities & Energy										
7	New Darien (w)	Hodgson Martin	88	1.3	72	40	56	–	4	88	76
23	Precious Metals △	J. Rothschild	165	0.5	190	7□	55	–	38	89	215
102	TR Natural Resources	Touche, Remnant	145	4.0	170	34	35	–	31	94	166
23	Viking Resources (q)	Ivory & Sime	48	5.9	57	60	40	–	–	98	57
	Technology										
10	Baillie Gifford Tech. (w)	Baillie, Gifford	72	2.9	93	39□	61	–	–	78	†
90	Fleming Technology	Robert Fleming	174	1.9	226	41	34	20	5	99	219
94	Independent	Ivory & Sime	250	0.4	335	19	78	–	3	85	202
397	TR Technology	Touche, Remnant	130	2.0	173	38	45	12	5	101	263
	INCOME GROWTH										
332	British Assets	Ivory & Sime	69	4.7	87	40	51	–	9	109	307
166	First Scottish American	Dunedin Fund Managers	365	4.3	457	89	3	1	7	107	263
79	General Consolidated △	Independently managed	350	5.0	413	69	28	–	3	86	299
229	Investors Capital Trust	Ivory & Sime	312	5.4	359	99	1	–	–	99	†
42	Lowland	Henderson	162	3.1	165	89	4	–	7	98	526
175	Merchants	Kleinwort Benson	140	4.5	168	72	21	–	7	94	275
194	Murray Income	Murray Johnstone	174	4.9*	206	72	11	–	17	107	349
289	Murray International	Murray Johnstone	190	3.7*	225	39	37□	13	11	94	306
152	Raeburn	Lazard Brothers	471	4.0	557	57	27	11	5	97	266
223	Securities Trust of Scotland	Martin Currie Inv. Man.	101	4.2	125	57	23	9	11	106	352
	SMALLER COMPANIES										
17	Continental Assets (w)	Ivory & Sime	119	–	135	–	–	–	100	80	†
51	Dundee & London	Dunedin Fund Managers	251	3.4	302	77	12	10	1	97	273
59	English & International (w)	MIM	198	2.7	226	62	23	12	3	105	317
87	F & C Alliance	Foreign & Colonial	138	1.9	164	39	25	16	20	103	274
11	First Charlotte	Ivory & Sime	14	0.5	14	96	1	3	–	91	171
26	Fleming Fledgeling	Robert Fleming	154	2.3	201	74	23	3	–	97	271
18	Kleinwort Smaller Cos.	Kleinwort Benson	845	3.4	419	98	1	–	1	98	361
33	London Atlantic	Investors in Industry	228	4.2	290	72	13	–	15	97	265
25	Moorgate	Independently managed	453	4.9	540	93	1	–	6	89	270
24	North British Canadian	Investors in Industry	261	3.8	351	96	3	–	1	100	295
70	St Andrew	Martin Currie Inv. Man.	161	2.8	202	61	19	12	8	93	310
246	Scottish American	Stewart, Ivory	90	3.0	110	50	27	8	15	99	251
47	Smaller Companies Int.	Edinburgh Fund Mgrs.	94	2.1	118	55	23	22	–	93	301
22	Strata Investments (w) △	Henderson	156	0.5	139	36	21	13	30	94	†
244	TR Trustees Corp.	Touche, Remnant	199	1.0	253	67	25	8	–	104	273
283	Throgmorton (w)	Throgmorton Inv. Man.	347	3.4	418	88	10	1	1	115	347
	SPECIAL FEATURES										
81	Ailsa △	J. Rothschild	132	2.7	159	47	29	13	11	97	305
20●	Consolidated Venture (w)	MIM	154	0.1	183	22	77	–	1□	89	272
186●	Drayton Consolidated	MIM	404	3.7	524	77	16	5	2	96	235
17	Edinburgh Financial (w)	Stanecastle Assets	52	3.0	48	80	14	–	6	147	†
282	Ensign Trust	Merchant Navy Inv. Man.	77	1.8	86	67	23	1	9	109	†
56	Fleming Enterprise	Robert Fleming	361	3.5	441	100	–	–	–	102	330
828	Fleming Mercantile	Robert Fleming	180	2.8	218	66	28	1	5	79	262
21	GT Global Recovery △	GT Management	171	2.1	193	71	19	5	5	107	345
62●	Murray Ventures (w)	Murray Johnstone	230	3.1	267	74	10	8	8	88	326
125	TR Property	Touche, Remnant	77	2.5	90	68	10	9	13	100	275
24	Throgmorton USM (w) △	Throgmorton Inv. Man.	100	–	119	99	1	–	–	114	†
19	Value and Income (w)	Stewart Olim	44	4.0	49	99	1	–	–	120	†
	SPLIT CAPITAL (x)										
3	Child Health 87	Thornton & Co.	420	–	507	43	1	16	40	110	302
50	City & Commercial 88/93	MIM	1058	–	1266	79	10	10	1	107	370
43	Dualvest 85/87	MIM	1723	–	1915	94	4	2	–	97	310
40	Fundinvest 85/90	MIM	484	–	566	76	11	11	2	107	349
3	Marine Adventure 88	Thornton & Co.	298	–	345	32	1	20	47	100	†
53	New Throg. (1983) (w) 08	Throgmorton Inv. Man.	69	–	171	100	–	–	–	132	†
44	S. & P. Linked 95/97	Save & Prosper Group	550	–	825	100	–	–	–	114	431
27Ø	Throgmorton Dual △	Throgmorton Inv. Man.	275	–	607	100	–	–	–	–	†
108	Triplevest 87/91	MIM	1223	–	1551	91	8	1	–	111	297
57	Yeoman (q) △	Independently managed	98	–	119	85	9	2	4	183	†

NOTES TO THE TABLE
† No data.
* Applies to Ordinary/"A" Ordinary only.
□ More than one quarter in non-equity investments.
(x) Capital shares and winding-up dates.
z Incorporates recent revaluation of unlisted investments.
ac Adjusted for scrip issue.
ar Adjusted for rights issue.
(q) Published quarterly.
(w) Company has warrants or options in issue.
● More than 20% in securities or other assets included at directors' valuation.
△ The Trust has provisions for a limited life. Please refer to the company for further information.
Ø Figures not directly comparable with previous month.

Cols. 1, 4 to 6 Figures supplied by Wood Mackenzie & Co. Ltd. members of The Stock Exchange. The figures in Cols 1&6 are simulated to date shown based on latest valuation supplied by the companies and made available to The Stock Exchange.

Col. 11 The gearing factor indicates the percentage amount by which the net asset value per share would rise if the value of the equity assets increased by 100 per cent.

Additional explanatory notes are available on request from The Secretary, The Association of Investment Trust Companies, Park House (6th Floor), 16 Finsbury Circus, London EC2M 7JJ. Tel: 01-588 5347.

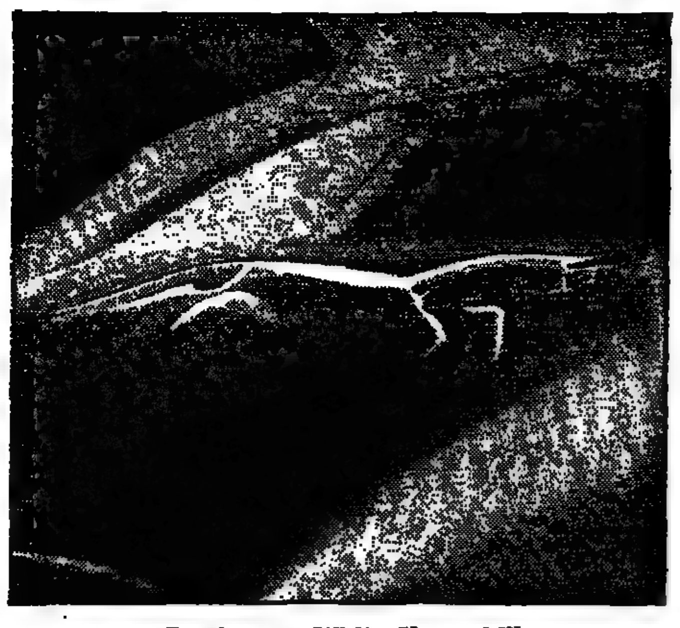
INDICES OF FIVE YEAR TOTAL RETURN

+ Investment Trust Average	299
F.T. – Actuaries All-Share	315
* Standard & Poors Composite	297
* Tokyo New Stock Exchange	508
* Morgan Stanley Cap. Int. World	359

+ Excludes split capital.
* Adjusted for exchange rate changes.

Archaeology

Gerald Cadogan enthuses over the treats in store for those who take a ramble over the Berkshire Downs



The famous White Horse hill

Try mounting White Horse

THE GREAT antiquities on the Berkshire Downs near Uffington, even in snow and cold, were a blessed relief from the home tyrannies of frozen pipes, when I visited it last week.

The White Horse, Uffington Castle and Wayland's Smithy are each enough for a separate trip. To be able to combine them—and what must be the best views in the whole south of England—in a two hours' walk along the ridgeway is a treat crammed with beauty and anonymous history. It does not matter that their builders are unknown. The Uffington monuments (now in Oxfordshire) give a new idea of what was regal in the Royal County of Berkshire.

We started from Uffington village near the foot of the Downs with small thatched cottages built in chalk and a proud cruciform church, somewhat denuded by the Victorian architect G E Street. Thomas Hughes (1822-1896), author of *Tom Brown's Schooldays*, was a boy here, like Tom. Read the opening chapters to see how life was changing in the Vale of the White Horse when the Great Western Railway arrived, and what it was like before. "The Browns didn't go out of the county once in five years. A visit to Reading or Abingdon . . . made up the sum of the Brown locomotion."

Follow the signs to White Horse Hill. We stopped near the bottom, just after crossing the underhill road (B4507), and walked first to the upturned pudding basin, a spur in the chalk, called Dragon Hill. It is a good place to stop for a first view of the Vale. This is where St George slew the dragon.

A little up the road on the left is the mystic beast of the White Horse, 360 feet long, on the very scarp and turned to the west and south. He is stretched and disjointed and—like the Downs — smooth and ancient. He probably belongs to the (pre-Roman) Iron Age, the tribal symbol perhaps of the lords of Uffington Castle, the Iron Age hillfort.

His dismembered form is often compared to the horses on British Iron Age coins, derived ultimately from Macedonian coins. You should not walk too close to the Horse lest you bite his edges and blur the clean cut of the chalk.

On the top the huge man-made Castle is a surprise. Its defences are not quite so redoubtable as those of Maiden Castle outside Dorchester, but its position, with a view of 11 counties, is superb. To the south are the Lambourn Downs. On the north side you see from beyond Swindon to beyond Didcot, and from the Cotswolds to the Chilterns.

It is a powerful military presence dominating both the Vale and the ridgeway. The large open centre looks like a parade ground, but probably

was occupied intensively, and honeycombed with grain storage pits, as other Iron Age hillforts are turning out to be.

As we walked west towards Wayland's Smithy and looked back, the Castle brooded over the country. In the snow we seemed to be looking at Krak des Chevaliers in the sand of Syria.

The ridgeway, from Overton Hill near Avebury to Ivinghoe Beacon in Buckinghamshire (since 1972 sadly called the "ridgeway path" by the Countryside Commission) is suffering. Deep ruts and notices that one must have a valid licence disc mean that vehicles cannot be stopped using it. That makes for rough walking. There is not the spring in the turf you find in the fields. And yet, even where copses crowd the track, you sense our forebears walking along, counting the stages by the monuments and looking up at Uffington Castle—in fear or relief.

It is a bit over a mile to the Smithy, which is marked by beeches—"young beeches" for Thomas Hughes — beyond a stand of conifers. The beeches have graffiti such as "Picnic Sept 1896."

The beeches surround a long barrow, the Smithy, aligned north-south at right angles to the ridgeway and just below it, where the dead would have enjoyed peace and the view This beautiful place is named for Wayland the farrier, who lived there and shod your horse for money put down on the capstone of the tomb chamber—the "counter" as Walter Scott tells in *Kenilworth*. It is odd that a pre-Bronze-Age tomb should have legends of iron.

The tomb, with a long rounded mound and sarsen megaliths making the tomb chamber and holding up the mound, is the eastern outlier of the Cotswold-Severn group of long barrows, of which there are 60 in Gloucestershire. Its position below the ridge is typical, and grand. (And its modern setting in beeches is like Windmill Tump outside Rodmarton.)

The sarsens were especially favoured by the ancients. These may have come from near Ashdown House to the south. Those at Stonehenge were dragged 30 miles from the Marlborough Downs.

From the Smithy you can walk back to Uffington Castle or down towards the church at Compton Beauchamp, of chalk as white as in the Loire and next to a moated manor house. It is an idyllic setting. The church will appeal to Anglo-Catholics. It is rich and colourful, and has many fittings by Martin Travers.

Over the altar in the north transept is a relief of the Trinity by Ulrica Lloyd, the wife of the Near Eastern archaeologist Seton Lloyd. The stone for the relief was found at Abu Shahrein (ancient Eridu) in Iraq. Carved in Baghdad and Ankara in 1949, it may have been quarried in the 3rd millennium BC. That would still make it up to 1,000 years younger than the sarsens at the Smithy.

Richard Rolfe finds that businessmen have taken over local vineyards

A jump into the English wine lake

IN CALIFORNIA, they say, the best way to make a small fortune out of wine-producing is to start with a large fortune. But in England, an increasing number of wine producers are determined to prove the saying wrong.

Making English wine is no longer the preserve, if it ever was, of eccentrics and retired wing commanders. The remarkable feature of the industry today is that it is dominated by hard-headed business and professional men. Their motives are mixed, but they bring a variety of outside disciplines, drawn from experience in fields such as finance, production and marketing, to the business of wine-making. Few are romantics on the subject of wine, all appreciate that vines need several years before yielding any revenue, and all are committed to making a profit or developing an asset within a definable time scale.

From a handful of wine farmers in the late 1960s, the sector has expanded vigorously and 247 vineyards now belong to the English Vineyards Association, while the Ministry of Agriculture's latest tally of "commercial" vineyards is 315.

The definition of a commercial vineyards is one of more than half an acre, which is assumed to produce more wine than the owner and his family can drink themselves—obviously a rough and ready reckoner.

The godfather of today's English wine industry is Kenneth McAlpine, a scion of Sir Robert's side of the construction family, and a director of Newarthill, its public holding company, with responsibility for the aviation side of the business. He spends three days a week based at Lamberhurst in Kent, of which one is devoted to his 48 acres of vines and £250,000 winery.

With output of 750,000 bottles in a good year, Lamberhurst accounts for a big slice of the English wine industry, which can produce up to 3m bottles. It also supplies equipment to other wineries, is experimenting with 30 new grape varieties, some of which may prove highly suitable to English climatic conditions, and buys in grapes from a number of other growers, ranging from Gloucestershire to Norfolk as well as Sussex and Kent.

McAlpine has had the advantage of building up Lamberhurst over 15 years and makes an acceptable return in a good year. He says he is "more interested in building up an asset than generating income." Lamberhurst, like other wineries, buys in grapes at £500 to £530 per ton, the lower figure being for prolific vines such as Müller Thurgau or Seyval Blanc, the higher for shy bearers such as Schonberger. Based on these grape prices and on yields of up to eight tons per acre for the top-bearing varieties, grapes are one of the most profitable crops currently available to the English farmer.

Taking land costs at £2,000 per acre and an estimated £1,300 to prepare an acre of farmland for vines, including cost of the actual vines, plus £1,500 for trellises, capital costs of establishing a vineyard are of the order of £4,800 per acre. To this must be added annual maintenance costs of £350 per acre over the five-year period before the first commercial crop can be harvested. Together with an interest factor, somewhere between £7,000 and £8,000 is probably the realistic cost of bringing a vineyard to the point of production. Annual revenue of perhaps £4,000 per acre is then an enticing return.

Tax breaks have considerably helped the industry's pioneers in the past. Bob Westphal, who retires this year as chairman of Rentokil, notes that in setting up his Penshurst estate, with 12 acres under vines and a winery scaled to annual production of 100,000 bottles, he had the advantage of 100 per cent offset of the cost of equipment against his income. "A great way of turning income into capital," he observes. Since the last Finance Act, the tax benefits have become less favourable but equipment can still be depreciated at the rate of 25 per cent annually on the declining balance.

Both Westphal and McAlpine stress the importance of maximising sales of wine at the farm gate — or, in practice, at the winery cellar, where visitors can taste and buy the product. These sales eliminate trade margins of perhaps £1 on a bottle retailing at £3.50.

All logical enough, but the next step is to devise ways of pulling in coach parties and tourist groups. Westphal, who hails from the Antipodes, has black swans and "a mob of wallabies" on his 100-acre patch, while McAlpine is considering a miniature railway. Also taking the same route is Tom Day of Three Choirs Vineyard in Gloucestershire, now a popular destination for coach parties from the Midlands which is already accepting bookings for next autumn.

Two years ago, when the farm was about to be sold from under him, Day and a retired businessman, Mac Hammond, assembled a group of investors to buy Three Choirs as a BES venture. "We got in after dubious wine schemes that were subsequently banned," Day recalls. The group's main adviser was the local tax inspector.

Three Choirs qualified in part because viticulture is classified as an experimental activity. Other factors were that the cost of tending the vines only amounts to about 20 per cent of overheads, and the beneficial local effect on employment and tourism. Three Choirs' 10 investors put up a maximum of £40,000 each for the farm, equipment and wine stocks. The prize-winning vineyard, of 20 acres, was started on a small scale in 1973 and handles 5,000 visitors annually.

Although the biggest concentration of English vineyards is in the south, Robin Don at Elmham Park and a nucleus of other growers have established themselves in Norfolk. As a director of wine merchants Hicks and Don, and a master of wine to boot, Don is uniquely placed to assess the qualities of English wine. He reckons to taste 2,000 wines worldwide in the course of his annual wine-buying trips and says: "I wouldn't be prepared to sell 60-70 per cent of them." The proportion of acceptable English wines is higher than most other countries and they hold their own in blind tastings, Don notes.

ADVICE FOR ENGLISH WINEGROWERS

DO

- **Pick the brains of other vineyard owners before you start — no group of people is more friendly and communicative;**
- **Choose your site carefully —sheltered, well-drained and if possible south-facing. Your new friends will advise (and confuse) you on this;**
- **Aim to make fruity, characterful wines — as the best of English are — rather than a bland ersatz German product.**
- **Avoid hopeless locations for vine-growing. North of the Wash is generally out for commercial grape production.**

DON'T

- **Ever refer to British wine, which is bagged in from Cyprus and mixed with Thames water, unlike the English wine produced with tender loving care**
- **Regard growing vines as a pipedream. If hard-headed businessmen can do it, so can you . . . can't you?**
- **Think previous experience is necessary — enthusiasm and determination are the main essentials, while sweat-equity is more important than money;**
- **Go into vine growing as a sole means of support**

But Norfolk is near the climatic margin of wine growing, and Don finds his yields per acre tend to be well below what is achieved in Kent and Sussex. Like McAlpine, he thinks new grape varieties bred for the English climate may eventually revolutionise wine-making, but he warns that it maye be a 15-year process. Meanwhile, although growing wine in Norfolk is even more unpredictable than in other areas, Don reckons to make "a very passable wine in most years."

Of course, in cold, wet summers, grape yields can fall considerably, but, says the EVA's Commander Geoffrey Bond, it is unusual for a whole crop to be lost. Most years, English wine farmers have at least some product to show for their efforts, although stocks at many vineyards are low at the moment after two or three relatively poor harvests. A spell of cold winter weather has little effect on the vines: potentially more devastating is a late spring frost, when growth is under way, or an early autumn frost, before the grapes have been harvested.

One of the industry's iconoclasts, David Ealand, is a maritime lawyer in the City and a wine maker on three acres at Hambleden, in the Buckinghamshire Chilterns (not to be confused with the late Sir Guy Salisbury-Jones' Hambledon estate in Hampshire) at weekends.

Ealand claims to have come to wine production with no previous experience: "I had no knowledge of horticulture, farming, wine-making or even wine drinking," he says. "Before 1980, when I started, I hadn't even made a bottle from a Boots kit."

Since then, Ealand has invested about £150,000 on his Chiltern Valley estate (though at 600 feet, it is more of a Chiltern hill-top), of which £100,000 has been on equipment for the winery. He sells the product through a number of outlets, including City wine merchants Corney and Barrow. He will be selling 35,000 bottles this year from the 1986 harvest, of which only 10 per cent is from his own farm, and expects to build up to 175,000 bottles, the bulk of it bought in, within a few years.

Ealand believes his own lack of experience before he began wine-making was an advantage "in an industry rife with mystique and dogma." Thanks to his legal practice, he has been able to piggy-back visits to wine professors at Davis University, California, and in New Zealand on top of work for clients, but he is essentially self-taught.

One myth, he says, is the amount of time running a vineyard requires: "We planted our three acres, after an hour's ploughing, with five friends in a weekend." Routine maintenance "takes less time than playing golf." Even last year's harvest was done in two and a half hours (20 pickers, four tons of grapes) and bottling 7,500 bottles was the work of a weekend for Ealand, his wife and his 70-year-old-plus parents. Like other winemakers, Ealand encourages visitors and claims to have been asked: "Do you import your soil from France?"

Since English wine production is still a tiny fraction of wine consumption in England —3m compared with nearly 600m bottles—the industry has in theory ample scope for further expansion, although the size of the market for English wine remains to be tested, since the price structure does not allow the English product to compete at the bottom end of the market.

There are already signs of big business interest in wine, RMC Group having 28 acres under vines. But, says director Peter Young, "It is very much a land use exercise—we are not in it to become wine-makers."

This disclaimer aside, the next major step in English wine production may well be serious institutional involvement, either in putting agricultural holdings to profitable long-term use, or in financing and operating regional wineries. Could developments of this kind be the next milestone in the growth of the English wine industry?

Ashley Ashwood

Mr Kenneth McAlpine of the Lamberhurst Vineyards displays the fruits of his investment

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Peter Fort dines at a culinary London landmark

Fare to suit a minor royal

THE OTHER day I had lunch in the Grill Room of the Cafe Royal. It has been most carefully restored.

The problem with ancient places of cultural pilgrimage is that modern humanity doesn't fit in. Greek temples, all right, have been there and out of touch with the people in and around them for so long that they are not spoiled by the crowds sifting through. But what is depressing about Versailles is not the absence of furniture (now dealt with) but the awful presence *en masse* of 1980 people, all of us looking so wrong.

So with the Grill Room at the Cafe Royal. Faultlessly restored caryatids stare down at us in our scruffy Eighties anonymity and bagginess. What is missing is not so much an echo of Wildean wit, but the creak of starched shirt fronts and the drip of brown Edwardian gravies onto white waistcoats.

I imagine it would have been a hopeless enterprise to try to create for a modern clientele the kind of food that must once have been served here. It was, after all, a grill-room and not a restaurant and therefore in its day a sort of fast-food joint for people with no time for the full 10 courses of restaurant fod and careful alternation of white and brown, and those relentless gravies. Most likely it was a dozen-oysters-and-mutton-chop kind of place. It has not, however, been developed into a prawn-cocktail-burger-and-chips kind of place at all. Nor is it Joe Allen's.

The food is French-based, international expense account food. It is neither nouvelle nor retro. It is perfectly satisfactory food for an evening out or for lunch with a nice client. Escoffier would have been pleased with my very rich and unctuous *gratin de moules à la crème*.

As an "experience" it has something in common with a restaurant in the Armagnac town of Condom in Gascony. La Table des Cordeliers has a star in the Michelin and is manifestly the best place in Condom.

FOOD FOR THOUGHT

When you get there it is a church. Tables are laid in the nave and there you eat a very fancypants kind of nouvelle cuisine dinner. But the ambience is a startling distraction, aided and abetted by the relentless Vivaldi piping and trilling around you.

There is no sense of actual blasphemy in eating at the Cafe Royal since, assertive though it undoubtedly is, the decor was meant to be a background to eating and it is not at all museum-like. I suppose a better comparison might be with Maxim's in Paris where, like many serious eaters, I have never been. Helped along by its vaguely scandalous reputation (it seems to have been always a sexier venue than the Cafe Royal) it has gone on for decades without changing at all except that here again its clientele has presumabaly declined from the princes and maharajahs and demi-mondaines of the Nineties to stress-ridden executives and silver-wedding celebrants of today.

You still have to wear a black tie there on Fridays and no doubt feel very cheeseparing if you don't drink champagne, preferably rose. Pierre Cardin owns it (presumably as something to do). It has disappeared altogether from the Michelin Guide, apparently at its own request, and everyone assumes that it was going to lose a star anyway. But it has never ceased to be a "total dining experience" in other words nobody went there just for the food.

Why isn't the Cafe Royal more like that (apart from the fact that M Cardin has opened his imitation Maxim's in London)? It's not very sexy: not sexy at all in fact, but London has never had that Parisian ooh-la-la. I suspect it's something to do with the floor.

On the floor now there is a nice warm patterned carpet of the kind restaurants always used to choose, on which you can spill a good deal of sauce espagnole and claret without it showing. All well and good and a wise choice. But looking around the room I imagine that in Frank Harris's day the floor would have been tiled, probably black and white, giving a harder, more brasserie-style feel to the whole place. It would have been more clatteringly noisy, too: like a railway buffet.

We shall go there, not for an evening of ultimate luxury but for a breath of London's past. And not just the literary associations. I was once told a story by Andre Simon Fils about his father, who was as a young man the London rep of a famous champagne house. It was his habit in the evening to haunt places such as the Cafe Royal, ready to tip the wink to waiters to serve the right stuff.

One evening he saw a party of young "mashers" with their girls sit down and order champagne. The waiter poured a drop for the masher-up-front to taste. He nodded. They all drank. Soon it was gone and they shouted for more. The waiter poured it round. "I say" bleated the man-about-town, "I haven't tasted this bottle yet." The waiter apologised humbly and gave him a taste. "Oh no," he cried "this won't do at all. This wine's corked." "No no, sir" replied the waiter kindly, "it was the first bottle you had that was corked."

You never get a corked bottle nowadays: they are as rare as waiters who would notice it.

Philippa Davenport digs out recipes for hearty winter warmers

A pudding a day keeps the chill away

AT THIS time of year my thoughts about puddings are usually very clean and pure. I want sharp fruity flavours and textures that are light, the deliberate antithesis of heavyweight Christmas puddings, cakes and mince pies. Things like fresh orange salad spring to mind, lightly powdered with a cardomom-scented praline; classic and unbeatable apple snow; tart and brilliantly scarlet cranberry kissel; and featherlight pink rhubarb mousse. But, given the current icy blast of weather, the thought of such dishes makes me shiver a little.

Now is the time for no-nonsense square meals—meals that end, not with a little light frippery, but with a proper old-fashioned pudding. Traditional favourites like apple crumble and apple charlotte seem wonderfully appealing just now, as warming and welcoming as a roaring log fire. I particularly recommend making these two puddings using quince jam or jelly in lieu of the usual sugar to sweeten them.

Proper puddings are not all stodge, they are generously endowed with goodies. Real spotted dick is heavily spotted, real treacle sponge is oozing with treacle.

If dishes like these sound just too robust and rib-sticking for your taste, how about robust and rib-sticking for your taste, how about a soothing and gentle rice pudding made with a vanilla pod or two and generour quantities of cream, or a deliciously delicate bread and butter pudding?

Apple fritters involve more last-minute work for the cook, and the fact that they are fried has pushed them right out of fashion, but they seem irresistible now, and are especially delicious if dusted with spicy cinnamon sugar and served with a bowl of cider syllabub sauce. More modestly they can be accompanied by wedges of Seville oranges—more original and more aromatic than lemon.

Try Seville oranges too, in the form of hot marmalade sauce, for serving with pancakes.

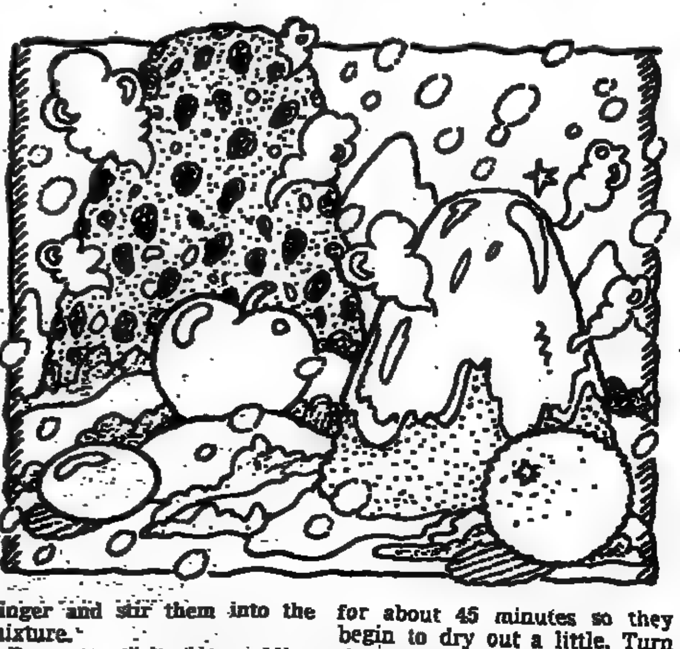
Most comforting and reassuring of the lot are those puddings we associate most strongly with the nursery. They rarely figure on Sunday lunch menus at home these days, but some gentlemen's clubs still serve them. This bitter spell is as good a time as any to reinstate them in the home—and to reinstate them in their full glory.

GINGER SPONGE
(serves 4—6)

You could serve cream, custard or yoghurt with this but I think it is best accompanied by a little jug of ginger syrup sauce: golden syrup, ginger syrup and lemon juice, gently warmed together and thinned with a few spoonfuls of boiling water.

Stem ginger and some stem ginger syrup; lemon juice; golden syrup; 3 oz butter; 2 oz pale muscavado sugar; 2 eggs; 4 oz white or wholemeal self-raising flour; ground ginger and ground cinnamon.

Put 1 tablepoon golden syrup into a large mixing bowl. Add the butter and sugar and beat until light, creamy and well-blended. Beat in the eggs, then the flour, which should be mixed with scant 1 teaspoon ground ginger and scant ½ teaspoon ground cinnamon. Finely chop half a dozen pieces of stem



ginger and stir them into the mixture.

Butter a 1½-2 pint pudding basin, and mix together in the bottom of it 3 tablespoons golden syrup, 2 tablespoons syrup taken from the jar of stem ginger and 2 teaspoons lemon juice.

Put the ginger sponge mixture into the basin. Cover with greased and pleated foil and tie securely under the rim of the basin. Steam for about 1½ hours and unmould onto a hot plate for serving.

BREAD AND BUTTER PUDDING
(serves three)

This is best made with nanny-thin slices of bread taken from a slightly stale loaf. If the bread is very fresh, slice it and lie the slices on a work surface in a warm part of the kitchen for about 45 minutes so they begin to dry out a little. Turn them over and leave for a further 30-45 minutes before using.

Three slin slices bloomer loaf; butter; ground cinnamon and allspice; 2 large eggs; ½ pt half cream (or ¼ pt single cream plus ¼ pt milk); a spoonful or two of muscatel raisins; scant 1 tablespoon demerara sugar.

Butter a small over pie dish or similar ovenproof dish. Spread the bread with butter and sprinkle it with the spices. Cut the slices in half and put them into the dish: stand some of the slices, semi-upright, round the sloping edges of the dish, and stand the rest across the centre of the dish. Scatter the raisins here and there between the slices.

Beat the eggs with the cream (or milk and cream) and pour the custard mixture over the slices of bread. The crusty, round edges of the bread will stand proud of the liquid. Leave the pudding at room temperature for about 30 minutes before baking so the bread begins to soften and is gently swollen by the custard.

To cook, put the dish into a roasting pan containing enough freshly boiled water to come halfway up the sides of the dish. Bake at 325F (160C), gas mark 3, for 35-45 minutes until the custard is barely set (it should stay creamily moist in the centre) and the crusts sticking out of the custard are deliciously toasty. Sprinkle the crunchy sugar over the pudding and serve straight away.

LIGHTNING APPLES
(serves 4-6)

I use individual ouef sure le plat dishes for this pudding, which is a very simplified variation of Apple Charlotte.

Four large Cox's apples; 4-5 large, very thin slices of bread; golden syrup; Greek yoghurt or soured cream for serving.

Peel, quarter, core and thinly slice the apples. Put them into buttered dishes, packing them down quite firmly and evenly. Butter the bread, cut it into triangle and use to cover the apples, arranging the slices, just overlapping, like tiles.

Drizzle a heaped tablespoon or so of golden syrup over the top of each dish and bake at 375F (190C), gas-mark 5, for 25-30 minutes. Serve straight away, topped with snowy dollops of the chilled yoghurt or soured cream. Don't be tempted to use sweet cream, the effect is much too rich.

Continued from previous page

. . . about Britain's woodlands

. . woods today

ale down in Somerst and the wood went for a very high price, so after the auction our chap went over and asked the buyer about it. He was thrilled to bits because the wood was full of rhododendrons that he'd always admired. As a commercial forester you'd want to clear those out straight away."

The anecdote may be both evidence of the romantic appeal of woods, and *ammunition* for those who regard commercial woodland growers as having monoculture-mania. On the first point, there's plenty of supportive evidence *that* even the most objective investors risk falling in love with their woods. On the second, commercial foresters *complain* that farmers don't get constantly *criticised* as monoculturalists when they grow fields of wheat, and that critics who see acres of newly planted trees "despoiling" the countryside *refuse to accept that most* of the mature forests with different generations of trees, that they would now be horrified to see felled, started off as equally ugly *rows of seedlings in* ploughed bare land.

Owners, it seems, become remarkably attached to their woods.

Ian Goodlet, forestry investment manager of the commercial management group Scottish Woodlands, which handles 25 per cent of the private planting and *half* the private harvesting and marketing in Scotland, says: "We like people to come, *say,* twice a year to see what we've done with their money." But he finds that, after a first visit, owners tend to find any number of *reasons to drop by and stroll* among the trees.

In Ninian Sanders' experience, "The most ruthless captains of industry can get romantically attached to a forest, and they can't come to bring themselves to cut it down when the time comes." Ronnie Williams sees new generations of "dynastic forests" being created "as you get owners who want to keep their trees, and who progressively crop and underplant a forest instead of clearing and replanting."

Angus Crow spells out the appeal of a personal stretch of forest. "When you own a wood, you can picnic in it, you may be able to *build* a modest cabin, there can be sporting rights—which you can't separate from the land in Scotland except by lease—you may be able to make a fishing pond, coppice the wood for fuel, go bird watching . . . . there are people who own and work a five-acre wood and earn a damn good living from it."

Not that owners picknicking at weekends and gathering branches for the Aga would be welcomed with open arms in most of the large commercial forests. That buying-for-the-fun-of-it approach is more suited to the kind of mini-woods that come on the market from private estates, and from Forestry Commission sales.

Without tax relief, the business could be chopped to Christmas-tree status

In the commercial forests held by the 40 or so active institutional woodland owners, and by the larger investors among an estimated 45,000 individual woodland owners, trees are, at least in theory, treated just as much as a cash crop as wheat or barley.

Investors who are pointed by their accountants in the direction of a forestry consultant these days would find striking similarities to a computer dating agency.

Marrying investors to suitable woods involves establishing why they want to buy, whether an established recreational wood with reasonable access and good sporting facilities would fit the bill, or whether it was the approaching end of the tax year that inspired thoughts of trees.

The amount of capital *immediately available,* and whether a forestry land loan would fit neatly into a buyer's prospective income and tax position determines the scope *to look at alternative* combinations of available part-grown forests or at bare-land for planting.

After that, decisions have to be *taken:* about the types of trees planted and their probable crop yield for the quality of land in question; about the site's proximity to timber mills and *its likely management* and harvesting costs, as well as a host of factors from each particular section of forest "hazard class"—a measurement that determines the probable height at which particular species will be blown down—to the consultant's view of the quality *of local* forestry management.

As a rule of thumb, the forestry experts talk in terms of £200 to £300 an acre to buy bare planting land (with the overhang of surplus farmland sales currently *driving down prices*). Planting—a backbreaking job that is done by gangs of forestry workers who may plant as many as a 1,000 seedlings a day—would cost a further £250 to £350 an acre. To be eligible for the Forestry Grant Scheme the land has to gain approvals from all the various planning and conservation authorities before being accepted by the Forestry *Commission,* which handles grant payments that vary according to the size of wood, and species of trees.

Allowing about £100 an acre towards planting costs (but payable in the following tax year), the main remaining budget item is fencing. After that, as Ian Goodlet says, "you more or less shut the gate" for a couple of *decades. You would still* be paying out at this stage—providing for fire insurance in the early years and for storm cover as the trees get taller, plus regular management expenses, and the management computer will keep turning out cash flow and valuation figures as the forest develops and the market for wood products changes.

There is always the option to sell a semi-mature wood to a tax-exempt institutional buyer or to an individual uninterested in forestry at its deductible loss stage. Othewise, the investment interest only starts to pick up again after 20 or 25 years when thinning provide the first of regular timber cash crops. After 40 or 45 years it would be time to send all the first planting of a softwood forest to the mills, by which time the then owner will have already either underplanted the forest—progressively replacing thinned out trees to have successive crops under way—or have decided to clear the land entirely for replanting.

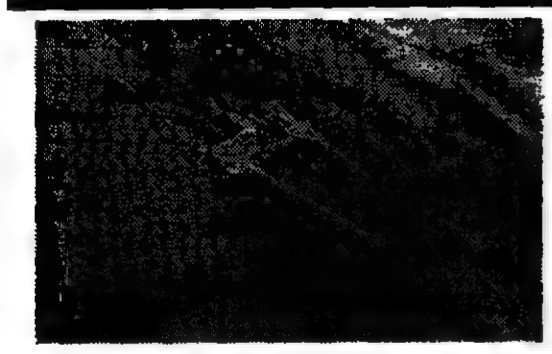
Although you can buy some delightful individual woods for as little as a few thousand pounds, the forestry specialists are generally agreed that a realistic minimum individual investment in commercial woodland would be around £50,000, or 100 acres. Below that figure there are syndicates of owners, although the difficulties of liquidating a part-holding in a *forest* make that potentially troublesome.

Forestry management companies are a post-war phenomenon, and so most of their experience has been in the establishment, rather than in the harvesting and *marketing of* timber crops. Land surveyors providing forestry consultancy service to investor clients can be bluntly critical of the management contracting companies' past performance on the timing and sale of these crops.

"Most management companies are run by foresters," says Ninian Sanders, "and football teams managed by footballers are *not always the most* successful."

Forestry

Country Property



Overseas Property

London Property

Overseas Property

Country Property

Rentals

After Ike took over

EISENHOWER AT WAR 1943-1945
by David Eisenhower. Collins. £20.00, 977 pages

IKE: THE LIFE AND TIMES OF DWIGHT D. EISENHOWER
by Piers Brendon. Secker & Warburg. £12.95, 478 pages

MAYDAY: EISENHOWER, KRUSCHEV AND THE U-2 AFFAIR
by Michael R. Beschloss. Faber & Faber. £14.95, 494 pages

THE FOUR most famous figures in the English-speaking world during the last war were Roosevelt, Churchill, Eisenhower and Montgomery. Reams have been written about all four. Yet it is not very easy to get a clear picture of any of them and Eisenhower is perhaps the most difficult to assess and understand. David Eisenhower is his grandson, and incidentally Richard Nixon's son-in-law. He has been working for 10 years at the University of Pennsylvania, where he lectures in political science, on a multi-volume life of his grandfather, of which this is the first.

Although it is meticulously researched at the American end and, although a book of this length, nearly a thousand pages, is bound to contain some new material and insights, the general effect is rather disappointing and it makes heavy reading. As Pope said in another context, "and like a wounded snake drags its slow length along." Moreover, since much of the book inevitably deals with relations between the Americans and the British it is rather surprising to find neither Sir David Fraser's life of Alanbrooke, nor the second volume of Nigel Hamilton's Life of Montgomery among his sources. Volume III which covers the period after the Normandy breakthrough came out too recently but the previous one is highly relevant to numerous controversial issues.

It is not fanciful to detect a certain, possibly unconscious, anti-British bias. An English biographer of Montgomery would hardly refer regularly to the Americans as "Yanks," but David Eisenhower frequently talks of "Britishers." Perhaps we should be thankful to escape "Limeys." He is curiously ready to ascribe British military views to political purposes, but makes no comment when he says that Eisenhower's decisions about command were influenced by 1944 being an American election year.

David Eisenhower commits some remarkable mistakes about British names, episodes and affairs. Andrew Cunningham was First Sea Lord, not First Lord of the Admiralty. Sir Trafford Leigh-Mallory alternately described as Air Marshal and General, was not the head of Fighter Command during the Battle of Britain. To describe Sir John Colville, Churchill's former and later private secretary, as "Jack" rather than "Jock," as he was actually called, could be a misprint. It is more than a misprint to say that he was sipping brandy on the eve of D-Day with Churchill in a non-existent bunker under St James's Square when he was with his squadron in Hampshire awaiting dawn to take off on reconnaissance flights at no small risk over Falaise and Bayeux. *If* Mr Eisenhower ever meets Sir John he will have some explaining to do. He also shows much credulity. Does he really believe the story that the Dieppe Raid of August 1942 was deliberately intended to be a disaster so that the "Britishers" could argue the more forcefully against American pressure for a cross-channel invasion later that year or in 1943?

Of course Montgomery was insufferably arrogant and infuriated Eisenhower. He was obtuse in his total failure to understand that politically he could not expect to command the Allied land forces after the break-out from Normandy, even if the Americans had regarded him as militarily the best man to take charge—which was by no means the case. Montgomery was a great soldier. His only major error was Arnhem and there, far from being discouraged, he was positively supported by Eisenhower for motives which, if his grandson is right, seem highly dubious; like the alleged purpose of the Dieppe disaster it would discredit a strategy—in this case the narrow thrust to the Ruhr. I believe that David Eisenhower unintentionally maligns his grandfather who is more likely to have been over-persuaded and made a genuine error than to have endorsed the sacrifice of thousands of lives for a Machiavellian purpose.

The decision, whatever its motives, was a tragedy. The diversion of forces fatally delayed the clearance of the approaches to Antwerp, without which neither Eisenhower's broad, nor Montgomery's narrow-front, strategy had any chance of success before winter closed in. I hope that David Eisenhower's later volumes will be more illuminating than this. Given his family connections he ought to be in a position to reveal much new information about Eisenhower as President.

The best life of Eisenhower so far is Stephen Ambrose's two volume biography (1983-84). Piers Brendon has produced a lively single volume account. Readers should not be put off by his recent disagreeably carping book about the monarchy—they should simply not bother to read it. This life of Eisenhower adds little to the work of Professor Ambrose apart from opinion and interpretation largely iconoclastic and non-proven.

Alongside these two books appears a more exciting one, Mayday, the account of the U2 episode by Michael R. Beschloss. This was the worst fiasco in Eisenhower's presidency and much of it was buried in mystery until in 1982 the Senate Foreign Relations Committee decided to release the previously censored transcript—well over half the total—of its hearings on the affair in 1960. Mr Beschloss has made full use of this and much other fresh material to give an account which bears all the marks of authenticity and is as gripping as a good thriller.

The U2 was a photographic reconnaissance aeroplane which could overfly Russia at a height of 15 miles, a distance believed to be beyond the range of any ground to air missiles at the time. To this day it is not entirely clear what brought the aircraft down on May 1 1960 over Sverdlovsk, but the consequence, the capture of the pilot, Gary Powers, wrecked the Paris Summit Conference and postponed détente indefinitely. In authorising such a flight only a *fortnight* before the Conference Eisenhower made an error of the first magnitude. Why? Perhaps he simply did not like to say no.

Whatever the reason, it was the worst blunder in his career, and a major cause of the prolongation of the cold war for it probably wrecked Khruschev's credibility with the hard-liners in the Kremlin and led at one or two removes, Cuba being the last straw, to the fall of the only Russian leader since 1918 who, in spite of his bombast, rudeness and vulgarity, might have produced a thaw. Whatever one's view of Ike he has much to answer for here.

Robert Blake

Eisenhower as President-Elect on a tour by Jeep of the troops in Korea

Labouring the point

CHOOSE FREEDOM: THE FUTURE FOR DEMOCRATIC SOCIALISM
by Roy Hattersley.
Michael Joseph. £12.95.
265 pages

ROY HATTERSLEY, the deputy leader of the British Labour Party, is a brave—some would say, foolhardy—man. His new book will offend almost every section of the labour movement, even if it is different parts that will offend different groups. Apart from individuals who will admire him for having set out his personal views, the organisations which will welcome its publication are the Conservative Party and the Social Democrats, both quite capable of exploiting it in the run-up to the general election.

Hattersley, the man who will be Chancellor of the Exchequer if Labour wins, emerges as an out-and-out egalitarian. This, he says, is the book about the future of socialism that Labour Ministers like himself, were all too busy to write in the 1970s. He takes as his theme a line from the late Anthony Crosland: "Socialism is about the pursuit of equality and the protection of freedom—in the knowledge that until we are truly equal, we will not be truly free."

To that end, the Shadow Chancellor would abolish all private medicine and all private education because the existence of a private system "depresses the service provided in the public sector," although once the state had done its best, he would not be opposed to an individual buying violin lessons for a son.

The tax system over which he would like to preside would be one re-geared "with the explicit and overt intention of making it an instrument of redistribution." He gives as an example the Duke of Westminster, to whom he is prepared to leave the odd £5m-£10m. If he were stripped of the rest of his wealth and it were redistributed to the poor, he claims, there would be a major increase in their freedom. "It would offer the economic basis for emancipation."

Yet this is not socialism of the bureaucratic variety; or at least is not intended to be. The main objects of Hattersley's attacks are not the rich aristocracy nor even the top 10 per cent of the population in money terms; they are sections of the labour movement which have concentrated too much on the pursuit of power and too little on the pursuit of freedom.

Few escape whipping. There are the socialist councillors who prohibited pigeon-keeping on Sheffield council estates and forbade council tenants to paint their own front door in anything but the stipulated colour. There is also Mr Tony Benn who, as Secretary of State for Industry, saw co-operatives as part of "the right to work campaign," never considered the prospect of their becoming a commercial success, and therefore gave them a bad name.

Not least, there are the trades unions some of whom demand curbs on every area of economic activity but their own, and who want both a statutory minimum wage and free collective bargaining. Hattersley warns very firmly that if he becomes Chancellor, the unions will have to restrain themselves. They, too, need to respect the "new individualism."

There is also a reference to defence — practically the only one in the book — which will not please the Left. "There is no such thing," he writes, "as a Socialist defence or foreign policy — save only for the support of liberty in both the Soviet Union and South Africa."

Readers will judge the politics of the book for themselves, probably according to predetermined views. It does have faults. The tone towards the Social Democratic Party is distinctly carping. It is dismissed as "an essentially secondary phenomenon in British politics." David Owen is described as giving second-rate imitations of Enoch Powell. There is no recognition that some of the Social Democrats who left the Labour Party were, like Hattersley, seeking new approaches for a left-wing movement in the 1980s: they like him, were rebelling against excessive centralism and bureaucracy.

There is no reference to the social market economy which, in West Germany, has been embraced by both Christian and Social Democrats alike and includes the concept of the safety net for the disadvantaged. Indeed references to the Socialist experience in other countries are noticeably limited.

He is right to say that the special achievement of the Labour Party in 1945 was to secure the support of radicals and reformers, some of whom were not socialists, and to persuade them that Socialism was relevant to the problems of the time. Where I think he is wrong is in claiming that the principles of democratic Socialism reassert themselves irresistibly every 10 or 15 years. The time-scale is much longer.

Still, if he does not become Chancellor, Hattersley would make an excellent leader-writer on an independent left-wing newspaper. After this book, no one can fairly accuse him of being unduly on the right of his party, at least on economic policy.

Malcolm Rutherford

View from our side

SETTING THE MOULD: THE UNITED STATES AND BRITAIN 1945-1950
by Robin Edmonds. Oxford £25.00, 349 pages

THE SPECIAL RELATIONSHIP: ANGLO-AMERICAN RELATIONS SINCE 1945
edited by William Roger Louis and Hedley Bull. Oxford £35.00, 408 pages

IT IS customary in some circles to wax lyrical over the remarkable benefits of the so-called special relationship between Britain and the United States after World War II. Robin Edmonds is not part of that claque. He has written a history of this relationship, and he is well qualified to do so, since his 32-year career in the British diplomatic service included appointments as head of the American department, and as Assistant Under Secretary for American affairs, at the Foreign Office; but he is not an uncritical acolyte of the special relationship school of British diplomacy, and his book is not another contribution to the saccharine tradition of Anglo-American rhetoric. On the contrary, he seems to think that the whole thing has been overdone, if not actually based on a mistaken premise from the beginning.

What emerges so very clearly from his account is that the special relationship has been special mainly because it has been so one-sided. After 1945, the British attempted to prolong a notional equality with a wartime ally; but since the objective facts did not permit a real equality, the trick could only be carried off by resort to bluff, fast footwork, one-upmanship and moral blackmail, and even then it failed to convince.

As Mr Edmonds shows in his detailed account of the evolution of two aspects of the relationship, the financial and the nuclear (which he calls The Invisible Keystone of the Arch), not merely did the Americans not want or recognise equality with Britain, they were determined to assert the separation of national interests just as soon as the war was won. It was not until the launching of the Soviet Sputnik in 1957 that Washington, rattled by this apparently dramatic challenge to its military superiority, was prepared to resume nuclear collaboration with the UK; and it was not until 1960 that Britain started reluctantly, belatedly and ineffectually to forge a relationship with its equals in Europe.

It may well be that some aspects of America's post-war policy towards Britain was brusque, not to say brutal; but the burden of Mr Edmunds's critique is directed primarily at that long-standing constant in British foreign policy which contrives to be both arrogant, subservient and unrealistic.

The financial, commercial, cultural and scientific bonds that today link the United States and Britain, he says, do not depend on the residue of the special relationship, and will endure.

> On the other hand [he writes], the Anglo-American *governmental* relationship has become reduced to a hard core, consisting of three main elements: nuclear technology, intelligence, and those aspects of defence policy with which these two elements are linked. Given the extent of Britain's decline in other respects . . . sooner or later both countries will, I suggest, be well advised to consider how far the conditions of the late twentieth century still warrant the present degree of British dependence on the United States in this restricted, though critically important, field . . . Has not the time arrived for all the Europeans, particularly the British, to grow up — in general, but above all in the field of defence?

This is a salutary book whose message ought not to go unheeded.

Not everyone takes such an intense view of the Special Relationship, however; this is, indeed, one of the attractive features of The Special Relationship, a symposium of individual essays on specific aspects of the relationship by a distinguished galaxy of authors from both sides of the Atlantic.

In his introductory article, for example, David Watt speaks as if the Europeanisation of British policy, which for Mr Edmonds is such an urgently desirable target, were already well on the way to being an accomplished fact:

> The truth of the matter [says Mr Watt] is that since the 1970s Anglo-American relations . . . have ceased to be very important or very interesting. To be either, they have to be viewed in the context of American-European relations. . . . The Anglo-American relationship forged in World War II will not prevent Britain lining up with increasing regularity on the European side, for all sorts of hard-headed reasons to do with geography and economics.

At the other extreme, Michael Howard's anxiety is not that Britain is too dependent on the US but that there is a risk of profound alienation between the new political generations in Britain and the US: it is that, he believes, which would be "a disaster for our two nations, and for the world as a whole."

Ian Davidson

Fiction

Briton tangled up in Russia

RICHARD ROBERTOVICH
by Mark Frankland.
John Murray. £9.95. 216 pages.

THE TRIAL OF SÖREN QVIST
by Janet Lewis. Robin Clark.
£9.95. 256 pages.

ALL GOOD MEN
by Janet Daley. Chatto & Windus. £9.95. 190 pages.

DEATH OF AN EX-MINISTER
by Nawal el Saadawi.
Translated from the Arabic by Shirley Eber. Methuen. £9.50. 111 pages.

THE LAND
by Antônio Torres. Translated from the Portuguese by Margaret A. Neves.
Readers International.
£8.95 hardback. £3.95 paperback. 136 pages.

THE CHINA CARD
by John Ehrlichman.
Bantam Press. £11.95.
523 pages.

MARK FRANKLAND spent many years in Moscow as the permanent correspondent of The Observer; ultimately he got caught up in a diplomatic tit-for-tat expulsion (1985). This is his second novel. His first, The Mother-of-Pearl-Man, about Vietnam in the 1960s, was much praised for its authenticity.

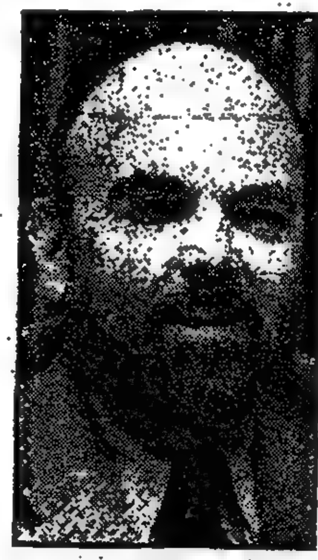
Richard Robertovich is the story of a translator, an Englishman, living in Moscow. One day his son, who has been estranged from him, hears that he has been found dead beneath the window of his flat. Too late to attend his funeral, he reluctantly goes to fetch his ashes. He is given some journals and other papers by a friend, Igor; reading these leads him to a new understanding of his father. They consist of letters written by Richard to his mother, notes by Igor, and love letters to Richard from a Russian woman, wife of an official.

The novel is in essence the tale of a love affair between an Englishman and a Russian. The Englishman, although disillusioned, was harmless until he thus encroached. The Kremlin steps in. Richard Robertovich is by no means an imaginative or psychological triumph, and it is a little glibly ingratiating in the way it fulfils conventional expectations of Soviet demonology. But it is quite professional, full of common sense, and it evokes its setting well. A worthy read.

The Trial of Sören Qvist is a reissue, long overdue, of a novel by the 86-year-old widow of Yvor Winters, Janet Lewis, whose most famous novel is The Wife of Martin Guerre. This, first published in 1947, is as good, as unusual, and as *original*. Janet Lewis specialises in narratives of tragic errors arising from wrongly interpreted circumstantial evidence, told with a very distinguished, elegant bareness, which highlights the tragedy and even the terror of the injustices perpetrated. These are fictional reconstructions of real historical cases.

The name of Sören Qvist was a byword for virtue in 17th-century Denmark. Then he was tried, found guilty and executed for the murder of his handyman. But years afterwards his victim turns up . . .

This, sombre and grim, apparently and notably without a message, is a minor classic and deserves to be read by everyone concerned with good writing.



John Ehrlichman: aide into author

Janet Daley is an American critic and journalist who has lived in England since 1965. Her first novel, All Good Men, is a lightweight murder story concerning internal struggles within the Labour Party. It is intelligent, occasionally witty, and always readable, but if anyone expects anything new about left-wing politics then they should look elsewhere.

Nawal El Saadawi, a doctor who became Egypt's Director of Public Health, is in the unfortunate position of being the foremost feminist in a socially very backward country; she was privileged to be imprisoned by Sadat, by no means a defender of women's rights. Thirty years ago she began writing vivid, effective, polemic fiction. The seven terse stories in this volume, well translated by Shirley Eber, are not without their subtleties and ironies, and cast much humane light on a society of which little is known here.

Antônio Torres is a Brazilian novelist from Sertao (the Black-lands): this novel, The Land, was published in 1976 and has since become accepted as an almost classic account of the notoriously poor area of its author's birth. It is less a novel of social protest than a tribute, much of it written in popular cultural forms, to the vitality of a people almost doomed to poverty by their geography and by lack of government assistance. The publishers are the Readers International, who are making novels from many oppressed regions—including some from behind the Iron Curtain—available in accessible English versions.

John Ehrlichman, once Nixon's assistant, then Nixon's moralistic critic — Washington Behind Closed Doors, the political soap opera, was based on his fiction — and now "political novelist," has produced in The China Card a thesis which puts Nixon's famous China initiative into "a shocking new perspective." That is, of course, if you believe a word of it. If you want to imagine a Chinese mole right in the White House, then you have it here. Mrs Reagan?

Martin Seymour-Smith

Married fellow-travellers

RETURN TO CHINA
by Liang Heng and Judith Shapiro. Chatto and Windis. £12.95. 240 pages

THIS IS a timely book. One of the authors, Liang Heng, was the leader of a small "democracy movement" in the provincial Chinese city of Changsha in 1980 not dissimilar from the recent demonstrations in Hefei, capital of Anhui province in east China. Probably more fortunate than the Hefei student leaders, he was already married (with the express permission of supreme leader Deng Xiapping) to his American teacher, Judith Shapiro, and could not be dispatched to labour reform like his colleagues.

Instead, he went to the United States, where he wrote one of the best books ever published on China since the 1950s, Son of the Revolution. With his wife he has now written a sequel, Return to China, describing a trip home in 1985.

Because of Liang Heng's origins, Return to China, though in a sense just part of the mushrooming travel literature about the People's Republic, contains unusually powerful insights. Recalling the profound family tragedies caused by the Cultural Revolution, it tidies up some of the loose ends left by the previous book. In a moving sequence, his father, earlier marooned as a rightist in the countryside, returns to live at his old workplace and his parents, divorced since the 1950s because his mother rashly made a trivial criticism during the "Hundred Flowers" movement, meet briefly and part again.

The book is redolent of the Cultural Revolution. Liang and his wife travelled widely and everywhere they went they met tragic stories of those dreadful times. Mrs Ma (a Muslim) in Guiyang, capital of Guizhou province, told a fearful story of her village where almost the entire population was wiped out by Chinese troops in 1975 because they resisted party pressure to eat pork.

Even the China of 1985 has its faults. Old peasant Cao in remote Shaanxi province put it this way:

> If I just want to fill my belly with grain and mind my own business, then I'm a contented man. But can you tell me why, even since the reforms, our production team leaders tax us for their salaries when the radio says they're supposed to be just like everyone else? I'm just an old peasant with no education, but I can't help noticing that the leaders have new tape recorders and furniture. I just listen to the radio, watch what they do and keep my mouth shut."

In Lintong county, where China's famous terracotta army stands, Liang found official corruption still more overt. Business-minded local bank officials, for example, had taken money intended for loans to peasants and hired two truck-drivers to go south and bring back loads of sugar-cane, cornering the market. The officials pocketed a huge profit before returning the money they had taken from the bank.

"All these officials call themselves reformers," said one peasant. "They hold up the flag of reform with one hand and stuff their pockets with the other."

Not all is gloom and doom, however. When Liang met a former student colleague who had been arrested after taking part in the democracy movement in Changsha, he found that under the reforms he had become a successful businessman. He was deeply impressed by the dedication of several party members he met, one a former Red Guard.

He gives some hope that if Deng Xiaoping's China can survive the present bout of political in-fighting centred on the recent dismissal of party boss Hu Yaobang it may yet become a stable and modestly prosperous state.

Colina MacDougall

Man of mind

SCENES FROM INSTITUTIONAL LIFE AND OTHER WRITINGS
by John Vaizey. Weidenfeld & Nicolson. £12.95, 164 pages

SHAKESPEARE GIVES a memorable account of the state of mind of Enobarbus when he changed sides. Something similar happened to John Vaizey when in 1978, after 33 years as a member of the Labour Party, and a life peerage from Harold Wilson, he announced his support for Margaret Thatcher, whom he had come to know when she was Secretary of State for Education and Science. It was done partly out of personal admiration, but also because Vaizey, like Enobarbus, wanted to put his professional skills, which were considerable, where they could be most effectively used.

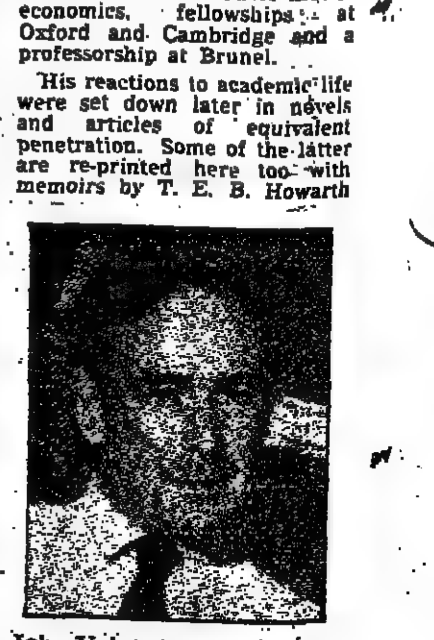
In those models of political alignments and realignments which Shakespeare gives in his Roman plays there are certain characters, advisers to the great ones, who possess a peculiar clarity of vision signally lacking in those who actually have power. John Vaizey was one such. His clarity of mind was what made him such a good teacher (a point well made by Frank Field, the Labour MP, in his address at the Memorial Service, reprinted at the end of this book), and it was the key to Vaizey's success as writer, broadcaster, committee man and a clubman whose uninhibited sallies and generosity were the delight of his friends.

John Vaizey could see through people as if they were made of glass, and was no respecter of persons when it came to exposing mediocrity, pretentiousness or corrupt practice. It is very sad he is not around to give us his acerbic comments on current events in the city. He was after all an authority on the brewing industry about which he wrote two definitive books before he turned his attention fully to the economics of education.

John Vaizey's powers of observation had been sharpened when he was a boy of 14 and had spent the best part of two years in the middle of World War II lying on a hospital bed in severe physical pain. He had contracted osteomyelitis of the spine from which he made a slow and agonising recovery in Dickensian conditions. Among his writings Scenes from Institutional Life, originally published in 1959, and now reprinted, holds a special place. It is one of the most poignant pieces of autobiography of modern times. Vaizey describes how he could only survive the experience through completely numbing his emotional response to his environment.

However, he managed with the help of a remarkable woman teacher, who instructed him at his bedside, to pass his O-levels with flying colours and to take the first steps along the path that led him to a double first in economics, fellowships at Oxford and Cambridge and a professorship at Brunel.

His reactions to academic life were set down later in novels and articles of equivalent penetration. Some of the latter are re-printed here too with *memoirs* by T. E. B. Howarth



John Vaizey: clarity and wit

and Hugh Thomas. Vaizey's unstarry-eyed account of his years as an undergraduate, first printed in My Cambridge is another small masterpiece of perceptiveness. He arrived at his university from a south London suburb knowing no one, the first boy from his school to go to Cambridge.

> I knew I was clever; [he writes] I supposed I was ambitious; but I had no model for my conduct; no expectations that could be judged realistic or unrealistic.

Vaizey became his own model, his own man, as the reader of this book soon discovers.

Anthony Curtis

Schroders

In this document sterling, pounds, £, penny and p are United Kingdom pounds and pennies sterling.

The Directors of the Company are the persons responsible for the information contained in this Prospectus. *To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Prospectus* is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

Copies of this document and of the material contracts and the consent of Deloitte Haskins & Sells referred to in paragraphs 9 and 11 respectively of "General Information" have been delivered for registration to the Registrar of Companies in England and Wales.

Dated 20th January, 1987

NM INTERNATIONAL RESIDENTIAL PROPERTY FUND LIMITED

("THE COMPANY")

A company incorporated with limited liability in the Cayman Islands and registered on 7th January, 1987 under the provisions of the Companies Law (Cap. 22) of the Cayman Islands as amended and having an authorised share capital of £1,000,000

MANAGED BY

NM SCHRODER FINANCIAL MANAGEMENT INTERNATIONAL LIMITED

("THE MANAGERS")

INITIAL OFFER FOR SUBSCRIPTION

Of Participating Redeemable Preference Shares of 1 penny each ("Participating Shares") at £1 per share (including an initial charge of 6p) *payable in full on application. The subscription list opens* in Guernsey at 10.00 hours on 26th January, 1987 and closes in Guernsey at 15.30 hours (Guernsey time) on 24th February, 1987. Shares will be allotted on 25th February, 1987.

Management and Administration

Directors

Dr. Richard John Leaper (Chairman)
NM House,
Serpentine Road,
Poole,
Dorset BH15 2BH, England.

John Leaper is General Manager [illegible] the United [illegible] Association of Australasia Limited, the [illegible] Management International Limited. He was former[illegible] for the National Mutual Group in Australia and has [illegible] the Federal Government Treasurer and the [illegible] Victoria.

Charles John Burley,
Cedar Hill,
Mount Durand,
St. Peter Port,
Guernsey, Channel Islands.

John Burley is a Director of both NM Schroder Financial Management International [illegible] Portfolio Selection Fund Limited.

Timothy [illegible] Jackson-Stops,
14 Curzon Street,
London W1Y 7FH, England.

Timothy Jackson-Stops has been Chairman of Jackson-Stops & Staff for eight years and has been involved in residential property for [illegible] years. He is on the Advisory Board of the College of Estate Management's Residential Agency Course and has, in the past, written on [illegible] for the Chartered Surveyor.

Peter John Martel,
Le Riche House,
[illegible] Street,
St. Peter Port,
Guernsey, Channel Islands.

Peter Martel is a partner in the firm of Martel, Maides and Le Pelley, well known Estate Agents in Guernsey. He is a member of the States of Guernsey.

William le Roy Ogier,
Schroder House,
The Grange,
St. Peter Port,
Guernsey, Channel Islands.

William Ogier is Managing Director of NM Schroder Financial Management International Limited and Director of Schroder Portfolio Selection Fund Limited.

Neville James Roberts,
Schroder House,
The Grange,
St. Peter Port,
Guernsey, Channel Islands.

Neville Roberts is a Chartered Accountant and Director of Operations of NM Schroder Financial Management International Limited.

Ian Godfrey Sampson,
Regal House,
14 James Street,
London WC2E 8BT, England

Ian Sampson has been Managing Director of NM Schroder Unit Trust Managers Limited (a United [illegible]) Director of both NM Schroder Financial Management International Limited and Schroder Portfolio Selection Fund Limited. [illegible] trusts for over 20 years and is a member of the Executive Committee of the Unit Trust Association in the United Kingdom.

Malcolm John Taylor,
Enterprise House,
Isambard Brunel Road,
Portsmouth PO1 2AW, England.

Malcolm Taylor is a Director of NM Schroder Financial Management Limited and of its life assurance subsidiaries. He has been in the life assurance industry for over 20 years and [illegible] over 10 years.

Robert William Taylor,
[illegible]
14 James Street,
London WC2E 8BT, England

Robert Taylor is a Director of NM Schroder Financial Management International Limited and Schroder Portfolio Selection Fund Limited. He is also a Director of NM Schroder Life Assurance Limited and has been active in the life assurance industry for over 25 years.

Mrs. Katharine Dorey Thompson,
Langley House,
Rohais de Haut,
Castel,
Guernsey, Channel Islands.

Katharine Thompson is a Director of both NM Schroder Financial Management International Limited and Schroder Portfolio Selection Fund Limited.

Nicholas Reginald Hubert James Wheadon,
Waterloo House,
High Street,
St. Peter Port,
Guernsey, Channel Islands.

Nicholas Wheadon is a Director of NM Schroder Financial Management International Limited and Schroder Portfolio Selection Fund Limited. He is also Chairman of Bucktrout and Company Limited, a diversified company predominantly operating within the leisure industry. Nicholas Wheadon is an elected member of the States of Guernsey.

Managers, Secretaries and Registrars
NM Schroder Financial Management International Limited,
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Schroder House,
The Grange,
St. Peter Port,
Guernsey, Channel Islands.

Tel: Guernsey (0481) 28750
Telex: 4191452

Registered Office:
P.O. Box 1040,
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George Town,
Grand Cayman,
Cayman Islands.

Custodian to the Company
Barclaytrust International Limited,
P.O. Box 184,
Barclaytrust House,
Les Echelons,
South Esplanade,
St. Peter Port,
Guernsey, Channel Islands.

Property Advisers in London
John D. Wood & Co.,
9 Cale Street,
Chelsea Green,
London SW3 3QS.

Property Valuers in London
Jackson-Stops & Staff,
14 Curzon Street,
London W1Y 7FH.

Property Managing Agents in London
Home from Home Property Management Services Limited,
92 High Street,
Wimbledon Village,
London SW19 5EG.

Auditors
Deloitte Haskins & Sells,
(Chartered Accountants),
Albert House,
South Esplanade,
St. Peter Port,
Guernsey, Channel Islands.

Legal Advisers to the Company
In the Cayman Islands:
W. S. Walker & Company,
P.O. Box 265,
Swiss Bank Building,
George Town,
Grand Cayman,
Cayman Islands.

In Guernsey:
Carey, Langlois & Co.,
7 New Street,
St. Peter Port,
Guernsey, Channel Islands.

In London:
Bischoff & Co.,
City Wall House,
79-83 Chiswell Street,
London EC1Y 4TU, England.

NM INTERNATIONAL RESIDENTIAL PROPERTY FUND LIMITED

The Company

The Company was incorporated with limited liability in the Cayman Islands and registered on 7th January, 1987 under the provisions of the Companies Law (Cap. 22) of the Cayman Islands as amended. It is open-ended in the sense that it has the power to issue and redeem its Participating Shares at prices based on their underlying net asset value.

Investment objective

Capital growth and income

The primary object of the Company is to invest in residential properties that are likely to show growth in capital value and at the same time can be let at low risk in order to provide income distributable to the shareholders.

The Company may participate in developments of residential property if it considers that a higher long-term return [illegible] may be achieved by this. It may also [illegible] properties at the [illegible] stages of [illegible].

The Company may invest in shares of property companies.

In normal circumstances it is intended that some 15% of the assets of the Company will be invested in easily realisable investments to meet, for example, calls for redemption of Participating Shares.

It should be appreciated that the value of a Participating Share and the income from it can fall as well as rise. In addition, since property is not always immediately realisable, investors should consider any need they may have for liquidity in conjunction with the provisions for redemption of Participating Shares before investing.

Location of investments

Initially, the Company will confine its investments to prime residential properties in and around central London. Properties will be chosen for their potential for capital *appreciation, plus their suitability for letting. They may be houses, flats or maisonettes* and the Company's interest may either be freehold or long leasehold. Influencing factors will include the location of foreign schools and of companies employing significant numbers of *people from abroad. In practice the majority of London properties are likely to be in the* most desirable residential parts of London, such as Mayfair, Kensington and Chelsea, and perhaps further from the centre in, say, Wimbledon and St. John's Wood and parts of Surrey. *Such properties can command high rentals, and it is also the case that the* increase in values of properties in these areas over the past [illegible] years has exceeded that of United Kingdom house prices generally.

In due course, the Company *may seek residential properties in other parts of the world,* where economic and social factors indicate similar characteristics of capital growth and ability to let at low risk.

Letting

It is the Directors' intention normally to confine lettings in the United Kingdom to those which will avoid the creation of protected tenancies, either by purchasing properties with rateable values outside those prescribed by the Rent Acts or by letting to companies. Letting will be for initial periods not exceeding one year, without any automatic right of renewal. Investment in properties outside the United Kingdom will have due regard to local laws and restrictions, in order similarly to protect the Company. The right is, however, reserved to let properties on terms which may confer security of tenure, if the Directors consider that circumstances justify this.

Furnishing of properties

Properties will normally – but not exclusively – be let furnished. Furniture (including fixtures and fittings, fitted carpets, curtains and certain kitchen equipment) will be purchased by the Company, the cost being amortised over an appropriate number of years.

Dividend policy

It is intended that the whole of the net income will be distributed to investors.

The Directors will take all reasonable steps to ensure that the Company is certified as a *distributing fund for United Kingdom tax purposes, though they cannot give an assurance* that such certification will be obtained.

It is intended that a dividend will be paid in October 1987. Dividends will normally be *paid yearly thereafter.*

Dividends will be paid in sterling.

Management and control

The central management and control of the Company will be exercised by the Directors. They will lay down the Company's investment policy and the Board, or a committee of the Board, will decide which properties the Company will buy and sell.

Managers

The Company has been promoted by the Managers, NM Schroder Financial Management International Limited, who are a wholly-owned subsidiary of National Mutual Life Association of *Australasia Limited.*

The Managers, who are incorporated in Guernsey, act as the managers of investment companies in Guernsey. They provide the Company with secretarial and registration services and (where required) the management of its assets, subject to the overall policies, direction and control of the Directors, in consideration of the remuneration receivable under the Management Agreement dated 19th January, 1987.

Custodian

The Custodian to the Company is Barclaytrust International Limited under a Custodian Agreement dated 19th January, 1987. The responsibilities of the Custodian consist of holding the assets of the Company except for assets released from possession of the Custodian at the Company's direction to be delivered to a lender by way of security and chattels. It is intended that contracts to purchase a property will be in the name of the Company but the conveyance or lease will be taken in the name of the Custodian. Redemptions and dividends are paid by the Custodian from the assets of the Company.

Property Advisers in London

The Property Advisers in London are John D. Wood & Co. Their job is to advise the Directors on the acquisition and disposal of properties. They are paid a fee by the Company for transactions completed, details of which are set out in "Fees and charges". John D. Wood & Co. were established in 1872 in Mayfair. Today the firm specialise in all residential and agricultural properties, but have a particular *presence in central London where they have eight offices.*

Property Valuers in London

Valuations of London properties owned by the Company are carried out by Jackson-Stops & Staff who specialise in this type of property. Jackson-Stops & Staff were established some 75 years ago, and are involved in all forms of residential property both in London and the regions. Of the nationwide spread of offices, three are situated in London: the head office in Mayfair, the others in *Chelsea and Fulham. They will provide a full valuation and structural survey of a property when it is* acquired and will update this full valuation annually. In between they will provide an "armchair" valuation for each property quarterly or more frequently if desired. Their fees are detailed under "Fees and charges".

Property Managing Agents in London

Home from Home Property Management Services Limited will find tenants for properties in London owned by the Company and will be responsible for the day-to-day management of the properties. *Home from Home Property Management Services Limited was established in 1979 to specialise in* the letting and management of good quality properties for renting to corporate tenants. It has offices in Wimbledon and Chelsea and its management area extends throughout Greater London. It has a team of in-house designers and workmen to effect the refurbishment, furnishing and routine maintenance of properties. Its fees are detailed under "Fees and charges".

Additional advisers etc.

Additional property advisers, property valuers and managing agents may be appointed if the Directors consider it appropriate, for example if it is decided to acquire properties in other parts of the world.

Initial Offer

The initial offer price is £1 per 1p Participating Share. This comprises [illegible] premium of 93p, and the Managers' initial charge of 6p. The subscription list will open in Guernsey at 10.00 hours on 26th January, 1987 and will close in Guernsey at 15.30 hours (Guernsey time) on 24th February, 1987. Shares will be allotted on 25th February, 1987.

The minimum initial subscription is £1,000 although subsequent applications by existing holders of Participating Shares may be made for a minimum of £500. The application procedures are described below. Every application will be deemed to be made on the terms set out in the printed application form.

Redemption of Participating Shares

Participating Shares may, except where there is a suspension of the determination of their net asset value, be redeemed on any Subscription Day, which is normally every Wednesday. The circumstances in which the Directors may declare a suspension of the determination of the net asset value [illegible] and also any individual need they may have for liquidity, before investing.

The redemption price per Participating Share is determined in accordance with the Articles of Association. [illegible] is calculated by assessing the value of the net assets of the Company [illegible] the relevant Subscription Day, deducting a provision for duties and charges payable on the assumption that the whole of the Company's portfolio was realised and (if an Equalisation Account is in operation) the amount of Net Undistributed Income. The amount so calculated is then divided by the number of Participating Shares then in issue and deemed to be in issue and from the resultant amount is deducted an amount equivalent to the nominal amount of a Participating Share. If an Equalisation Account is in operation, a payment may also be made in respect of accrued income and out of the Equalisation Account. The total is then adjusted downwards by not more than 1 per cent (the Managers being entitled to receive the rounding down adjustment on shares redeemed). Where Participating Shares are purchased by the Managers, the price paid is not less than the price calculated as above.

In order to realise all or part of a holding, a shareholder should advise the Managers not later than 15.30 hours (Guernsey time) on the business day prior to the relevant Subscription Day. This advice should take the form of delivery of the certificate(s), duly renounced, or be in writing or by telex to be followed by the renounced certificate(s). Unless the number of Participating Shares is specified, a redemption will be taken to apply to all the Participating Shares held in the name of the Member or *represented by the certificate(s) received. Requests for redemption received late may be held over* until the next Subscription Day.

Redemption or sale proceeds will be despatched by the Managers not later than the tenth business day following the relevant Subscription Day or date of receipt of the duly renounced certificate(s) if later.

Payment will be made by cheque sent by post at the applicant's risk, but if the amount is of sufficient size the shareholder may request a telegraphic transfer at his own expense.

Participating Shares may also be transferred by form of common transfer in any whole number.

Where a request for redemption is made in respect of Participating Shares for which no certificate has yet been issued, the Directors may require that such request be accompanied by a common stock transfer form or similar instrument in writing in common form, detailing the number of Participating Shares to be redeemed and duly signed by all the parties in whose names such certificate would have been issued but for the request.

Requests for redemption once made may only be withdrawn in the event of a suspension of valuation.

Reinvestment procedures

Shareholders may elect, either by written request to the Managers, or on completion of the appropriate section of the Application Form, to have dividends payable to them on Participating Shares applied in the acquisition of further Participating Shares. Where a shareholder so elects, the Managers will issue a dividend voucher in the normal manner, but will retain the dividend payment in consideration of the issue of a contract note dated as at the next Subscription Day detailing the number of Participating Shares acquired at the Subscription Price on that date. Certificates covering such Participating Shares will be issued in accordance with normal subscription procedures.

Valuations

After the initial offer the prices at which Participating Shares may be issued and redeemed are calculated separately by reference to the net asset value of the Company.

Each freehold or leasehold property within the Company will be valued at least once a year by the Property Valuers or other professional valuer who will determine the vacant possession value of the property ignoring any tenancy granted in respect of it. The Company will be valued by reference *to such professional valuations updated as appropriate by "armchair" valuations every quarter and* more frequently if considered appropriate.

Interest, dividends and other payments due or accrued to the Company but not yet received are included, as is rent receivable but not yet received, and any expenses, provisions and liabilities are deducted.

In certain circumstances valuations may be suspended and during any such period of suspension no Participating Shares may be issued (other than those already allotted) or redeemed. *Details are set out in paragraph 6 of "General Information".*

The valuation principles are set out in detail in the Company's Articles of Association.

Publication of prices

The bid and offer prices of the Participating Shares will be published in the Offshore and Overseas Funds section of the London Financial Times.

Foreign exchange transactions

Where payments in respect of allotment or redemption of Participating Shares are tendered or requested in a currency other than sterling, the necessary foreign exchange transactions may be arranged by the Managers on behalf of and for the account of the applicant or shareholder without responsibility with respect to either the Company or the Managers.

Fees and charges

The Managers are to receive 6p per Participating Share issued pursuant to the initial offer. The Articles of Association provide that subsequently the Managers may make an initial charge not exceeding 6 per cent. of the Subscription Price and equalisation payment (if any) to subscribers for Participating Shares. The Company pays the Managers a monthly fee of one-twelfth of one and one *quarter per cent. of the net asset value of the Company as at the last Subscription Day in each* month. Out of these fees the Managers are obliged to meet all their own expenses, including registration and secretarial costs and commissions to recognised agents for the introduction of subscribers.

The Company is responsible for its own operating expenses, including audit and legal fees, stamp and other duties, charges incurred on the acquisition and realisation of investments and fees and expenses payable to Directors. The Company also pays expenses incurred in any issue of Participating Shares, and pays the costs of obtaining and maintaining a listing on any stock exchange and prospectuses issued by the Company. In addition, certain of the out-of-pocket expenses of the Managers, the Property Managers and the Custodian in relation to their services to the Company are borne by the Company. The Management Agreement allows the Managers to increase their *monthly fee to one-twelfth of three per cent.* of the net asset value of the Company upon giving the shareholders not less than three months' notice in writing.

The agreement with the Custodian allows for a monthly fee, payable by the Company, based on *the net asset value of the Company. The fee is one-twelfth of 0.15% of the first £5m of net asset* value, 0.1% of the next £5m and 0.055% thereafter, with a minimum fee of £7,500 a year.

The agreement with John D. Wood & Co. provides that they will be paid a fee of 1% of the purchase price on completion of a purchase made on their advice and will receive a fee (to be shared with any other joint sole agent) of 2½% of the sale price of any property sold by them.

Jackson-Stops & Staff are paid a flat fee for surveys and valuations carried out by them. For an initial inspection and valuation they are paid £200; for a structural survey £350; and for each annual valuation (including structural survey) £600.

For finding a suitable tenant and negotiating the lease Home from Home Property Management Services Limited is paid a fee not exceeding 10% of the gross first year rent, and 7½% of the annual *rent when the tenancy is renewed. The current fees are 7½% and 5%* respectively. For annual management of a property, which includes dealing with tenants' queries and arranging for minor works and repairs, they are paid an additional 5% of the annual rent. After acquisition of a property [illegible] is paid, which is reduced to £500 if Home from Home Property Management Services Limited is asked to provide and supervise a complete *refurbishment to the property.* For providing and supervising any refurbishment a fee of 10% of the cost of refurbishment is payable.

[illegible] by the Company. Fees for services relating to land in the United Kingdom will have value added tax added, and this tax will not be recoverable by the Company.

The distribution of this document and the offering of Participating Shares in certain jurisdictions may be restricted, and accordingly, persons into whose possession this document comes are required by the Company and the Managers to inform themselves about and to observe any such restrictions.

This document does not constitute, and may not be used for the purposes of, an offer or solicitation by any person in any jurisdiction (i) in which such offer or solicitation is not authorised or (ii) in which the person making such offer or solicitation is not qualified to do so or (iii) to any person to whom it is unlawful to make such offer or solicitation. In particular (i) the Participating Shares may not be offered by public invitation in the Cayman Islands; (ii) Participating Shares *may not be acquired or owned beneficially either directly or indirectly by or on behalf of any* person (other than the Managers) resident in Guernsey, Alderney or Herm; and (iii) the Participating Shares are not registered under the United States Securities Act of 1933 and, except in a transaction which does not violate such Act, may not be directly or indirectly offered or sold in the United States of America (including its territories, possessions and areas *subject to its jurisdiction) or to or for the benefit of a United States person. For this purpose,* United States person includes a national or resident of the United States of America, a partnership organised or existing in any state, territory or possession of the United States of America, a corporation organised under the laws of the United States of America or of any state, territory or possession thereof, or any estate or trust other than an estate or trust the income of which from sources outside the United States of America (which is not effectively connected with the conduct of a trade or business within the United States of America) is not included in gross income for the purposes of computing United States federal income tax. The attention of United States persons is *drawn to the paragraph headed "Restrictions on holdings" and the compulsory redemption powers of the* Company mentioned therein.

The consent of the Advisory and Finance Committee of the States of Guernsey has been obtained to the issue of up to 99,990,000 Participating Shares under the Control of Borrowing (Bailiwick of Guernsey) Ordinances 1959 to 1976. It must be distinctly understood that in giving this consent the Committee does not take any responsibility for the financial soundness of any schemes or for the correctness of any of the statements made or opinions expressed with regard to them.

Participating Shares sold after the date of this document will be sold on the basis of the information and representations contained in this document and any further information or representations given or made by any dealer, salesman or other persons must be regarded as unauthorised.

This document is based on the law and practice currently in force in the Cayman Islands, Guernsey, and the United Kingdom and is subject to changes therein.

Persons interested in acquiring Participating Shares should inform themselves as to:
(i) the legal requirements within the countries of their nationality, residence, ordinary residence or domicile for such acquisition;
(ii) *any foreign exchange restriction or exchange control requirements which they might encounter on acquisition or disposal of Participating Shares; and*
(iii) the taxation consequences which might be relevant to the acquisition, holding or disposal of Participating Shares.

This document is important. If you are in any doubt about it you should consult your solicitor, stockbroker, bank manager, or other professional adviser.

Expressions which are not defined in this document have the meanings ascribed to them in the Articles of Association of the Company.

Copies of this document and Application Forms may be obtained from:

NM Schroder Financial Management International Limited,
P.O. Box 273,
Schroder House,
The Grange,
St. Peter Port,
Guernsey, Channel Islands.
Tel: Guernsey (0481) 28750
Telex: 4191452

or

NM Schroder Financial Management Limited,
Enterprise House,
Isambard Brunel Road,
Portsmouth PO1 2AW, England.
Tel: Portsmouth [illegible]
Telex: 86332

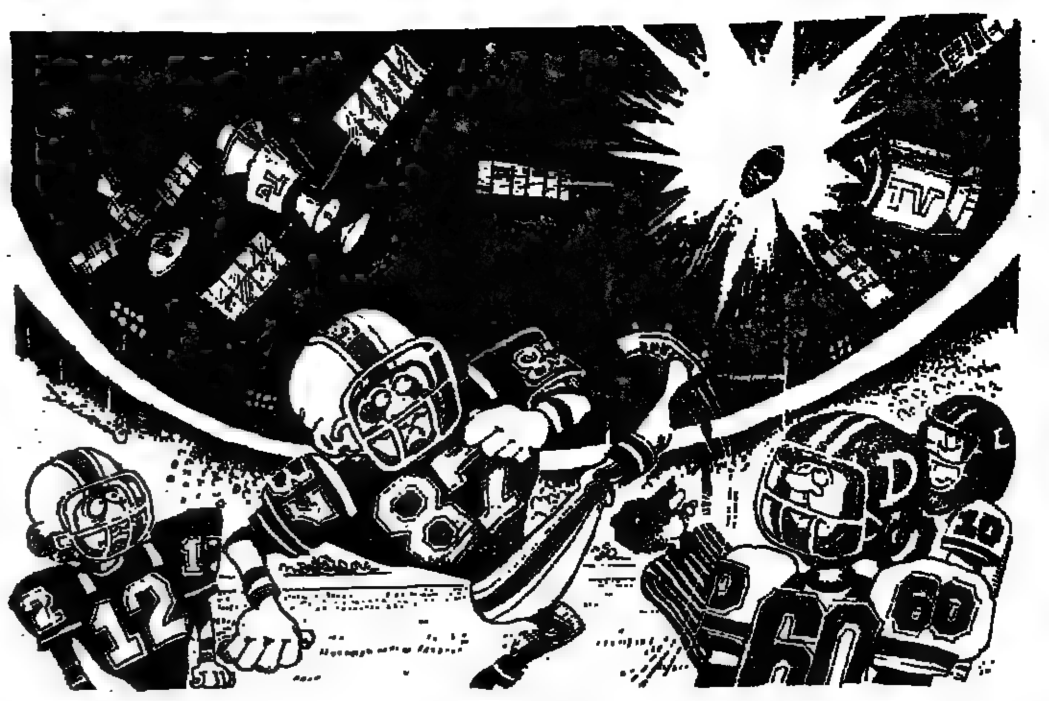
NM INTERNATIONAL RESIDENTIAL PROPERTY FUND LIMITED

WEEKEND FT

SPORT

Ben Wright looks at the Superbowl and gambling, American style

If you bet your boots on the Giants . . .



WHEN THE New York Giants and the Denver Broncos take the field in the Rose Bowl in Pasadena, California, for the 21st Super Bowl game in front of 104,091 screaming fans in American football's equivalent of Britain's FA Cup final tomorrow (Sunday) the result will be a foregone conclusion, according to the odds-makers. Ten days before the game the Giants had been installed as favourites by nine points, and that margin had been expected to widen as kick-off approached and more and more money flooded in from New York.

In Nevada, one of the few states in which betting is legal, the three dozen or so legal bookmakers predict that between $35m and $40m will be wagered on the game there alone. Yet this is a drop in the ocean compared with the total amount expected to be wagered in states where betting is illegal, most notably New York. Scott Schettler, who runs the Stardust Hotel sports book in Las Vegas, estimates that illegal betting on the Super Bowl could run as high as $2bn—a mind-boggling figure that truly makes an ass of the law.

For those unfamiliar with the American style of betting, I should explain that if the Giants start as nine point favourites, they will have to win the game by at least ten points to allow those who have backed them to win. If the Giants win by exactly nine points, the bet becomes a "wash" in American parlance. In other words, your stake is returned. But if you put down, say, $100 on the Giants, and their winning margin turns out to be ten or more points, then you would collect $200.

A particularly iniquitous aspect of illegal betting is that most bookmakers place a surcharge of as much as 20 per cent on losing bets to compensate them for the risks they run, should they run foul of the law. So if you lose a $100 bet it can actually cost you as much as $120. The widest-ever starting margin was set in 1969, in the third Super Bowl, when the Baltimore Colts were 18 point favourites over the New York Jets and lost by 16 points to seven, possibly stunned into oblivion by their own complacency.

The Giants are unlikely to fall victims to complacency tomorrow, but nerves could play a notable part in the outcome, since the New York club has not even played for its divisional title since 1963, and never in the Super Bowl. The pressure upon them to put straight this appalling record will be enormous.

Hardly surprisingly, the Broncos, who were beaten 27-10 by the Dallas Cowboys on their only Super Bowl appearance in 1978, like their position as underdogs, feeling that there is no pressure upon them. But the New England Patriots felt the same way last year when the Chicago Bears were similarly hot favourites. The Bears won 46-10 in perhaps the most one-sided of all Super Bowls, and there have been many more disappointing games in that respect.

This year the Super Bowl will become the third most watched one-day annual sporting event in media history, behind only the men's final at Wimbledon and the FA Cup final—surprising as that may sound to many who find American football as intricate, complicated and drawn out as is cricket to Americans or, more simply put, just as bloody boring.

The 21st Bowl will be broadcast in some form or other to about 60 nations, varying in size in terms of live coverage from Canada and Australia to Aruba and Diego Garcia. Between 15 and 20 countries are set to take the game live, among them Italy for the first time. Others include the UK, Ireland, Japan, Korea, Mexico, the Philippines, France, Germany, Hong Kong, Bermuda, Saudi Arabia, Nicaragua and El Salvador.

Even China will take the game on a tape-delayed basis, complete with Chinese graphics. Amazingly, Israel and Lebanon will also receive the game in this manner if the station that transmits the game is not previously bombed. Last year the screen went blank during the game because a bomb had annihilated the transmitter.

If the rest of the world is becoming increasingly aware of the Super Bowl — mainly, I believe, as a spectacle — it virtually brings America to a standstill. Of the 20 most watched TV programmes of all time, the Super Bowl can claim eight. The 1982 game, in which the San Francisco 49ers beat the Ciniciinnatti Bengals 26-21, is the fourth on the list, behind only the *Mash Special* in 1983, an episode of *Dallas* on November 21 1980, and *Roots* part eight on January 30 1977.

Gone with the Wind (parts one and two) put out in November 1976, occupies 7th and 8th positions in the Top 20 behind two more Super Bowls, the 1983 and 1986 games.

Because the Giants have at last played their way into the big game, tomorrow's version may well turn out to be the most watched programme of all time in America. The moguls must hope that more than 60.2 per cent of the nation's TV sets are in operation "during an average minute of the broadcast," persuade more than 77 per cent of the nation's homes to tune into the game for an average minute of the broadcast, and attract more than 127,060,000 viewers at some stage of the broadcast to qualify for this singular honour.

What of the game itself? As an avid fan of the Giants — and certainly no expert — it seems to me that it all hinges on Denver's ability or otherwise to protect their brilliant quarterback John Elway and his rifle-like throwing arm from a rampaging New York defence. Led by Lawrence Taylor, this defence recently set up the Giants' ruthless 49-3 pounding of San Francisco in the quarter finals, a well-nigh perfect game I was *privileged* to witness on a bitterly cold afternoon, as well as the 17-0 demolition of the Washington Redskins in the National Conference championship game. The savage Giants defence put no less than four opposition quarter-backs out of football for the season in 1986 with serious injuries.

Likewise, Denver must contain the explosive running of Joe Morris, a major component of the Giants' offence. New York beat Denver 16-13 at home last November 23 in an untidy manner in the team's only regular season encounter. But the Giants have improved dramatically since then as the pressure has increased.

On the other hand, I have seen very little better in 20 years of watching American football than the 98-yard drive Elway inspired in the dying minutes of the American Conference final against the Cleveland Browns. With Denver trailing 20—13, Elway started the drive at his own two yard line, hit six of nine passes for 78 yards, was sacked once — overwhelmed by the opposing defensive line — for an eight-yard loss, scrambled twice himself, despite an injured ankle, for 20 yards, and capped off this brilliant drive with a five-yard touchdown pass to Mark Jackson with 37 seconds remaining to tie the score 20—20. Denver's bare-footed kicker Rich Karlis won the game 23—20 with a 33-yard field goal five minutes and 48 seconds into overtime.

My opinion, for what it's worth, is urgently to advise you to give away the nine points — or however many it may be — and bet your boots on the Giants. I think they will win by at least 14 points, probably many more.

John Barrett reviews the Australian Open tennis championships

Boris the baddie—Pat the hero

NOSTALGIA has hung heavy in the air at Kooyong in Melbourne this week as the 75th Australian championships approached their climax. This traditional grass court home of Australian tennis, where the championships have been played 30 times since the stadium was opened by former champion Norman Brookes in 1927 (and continually since 1972), will lose the championships to the new National Tennis Centre in 1988.

Many former champions have come to Kooyong to pay their respects to an arena that has seen some memorable performances over the years. Jack Hawkes, a sprightly 88-year-old left-hander was the defending champion in Kooyong's first final in 1927. He held a match point against Gerald Patterson but saw his lob killed by a marvellous smash to the baseline. "I still think my lob was the right shot," he remembers. "If a fellow can hit a shot like that he deserves to win."

Rod Laver is here too, 27 years after he beat Australia's present Davis Cup captain Neale Fraser in the first of his three championship successes. The most durable of all Australian champions, Ken Rosewall, is another visitor. Still competing on the seniors circuit, and looking ridiculously slim and boyish at 52, it is astonishing to think that the great man's four titles here spanned 20 years. The first, in 1953, was against Mervyn Rose (who, incidentally, has been helping the British contingent here this year) and the last in 1972 was against Mal Anderson who also remains active as competitor and coach.

These vintage Australians are a marvellous bunch. For 31 years they dominated these championships and many more around the world. From John Bromwich's second win in 1946 (he won the last but one pre-war meeting in 1939) to Mark Edmondson's unique unseeded success in 1976, 14 Australians won the title 27 times. The only interlopers were the US Davis Cup men Dick Savitt (1951), Alex Olmedo (1959), Arthur Ashe (1970) and Jimmy Connors (1974).

However, since 1976 the only Australians to reach the final at Kooyong have been John Marks (1978) and Kim Warwick (1980). This is why the arrival of Pat Cash and Wally Masur in the semi-finals of this year's A$2.5m (£1.08m Championships, sponsored by Ford, has aroused such national interest.

Cash certainly seems cast in the same heroic mould as Australia's last Wimbledon champion John Newcombe. Cash's epic recovery from two sets down against Sweden's Kikael Pernfors last month in the decisive rubber of the Davis Cup final has fired the enthusiasm of sports fans all over Australia, who were delighted to forget the torments of the cricket field at England's hands. The record crowds at Kooyong this year are evidence of that.

Cash is prodigious worker who has spent hours building his physique and stamina to the proportions only previously reached by Roy Emerson, whose six singles titles here are still a record. On present evidence Cash seems destined to return to the world's top 10, a position from which he fell in 1985, due to a back injury that kept him out of the game for six months following an appearance in the Wimbledon doubles final that year. Along with Boris Becker, and Stefan Edberg, the title-holder here, he seems likely to be challenging Ivan Lendl for the world champion's crown when that illustrious Czech decides to forsake the tennis court for the golf course. That decision may come sooner than many of us have expected if the pace gets too hot in 1987.

It was sad but hardly surprising that Becker finally cracked during his match against Masur. The 19-year-old German is remarkably mature for his age but is exposed to almost intolerable pressure from the fans, the media and commercial interests.

The decision of his coach Gunther Bosch to leave was a brave one. For some months he has found it difficult to impose his views on an increasingly independent young man, who is undeniably strong willed. Bosch's departure may relieve some of the pressure and allow Boris to become his own man in his own way. His manager, Ion Tiriac, will have to be careful about selecting a replacement. Undoubtedly someone is required to shield Boris from as much of the off-course pressure as possible.

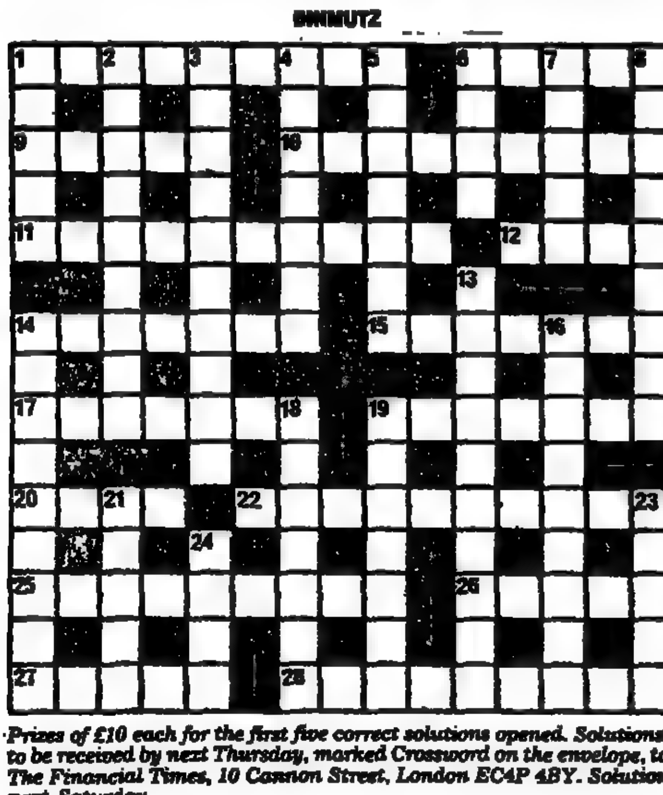
The form of Martina Navratilova these past two weeks has been immensely impressive—despite the fact that she came here without the benefit of a warm-up tournament. She has reached today's final without ever looking as if she would drop a set. Her opponent today, Hana Mandlikova, is one of only two girls capable of beating her on grass. It is unfortunate that the other, West German teenager Steffi Graff, did not enter. However, Hana has not beaten Martina since the US Open final in 1985 and has lost their nine latest meetings.

Martina, at 30, knows that her career is moving into its final phase. Her motivation now comes chiefly from chasing the records of past champions. Her avowed ambition in 1987 is to equal Helen Wills Moody's record of eight Wimbledon singles titles. This weekend Martina is playing in her 22nd Grand Slam singles final and should complete a 16th win. Impressive as this total is, it is still a long way behind Margaret Court's 24 titles—though admittedly 11 of them were won in Australia against relatively weak fields. But there is another target here for Martina. She would dearly love to win all three titles—a feat that has eluded her at Grand Slam championships too often in the past. With Pam Shriver and Paul Annacone as her partners this weekend, it seems her dream might at last be fulfilled.

We shall not know the final outcome, of course, until tomorrow but if—as I expect—Martina does win today she will receive the trophy from Nancy Wynne Bolton, who won six Australian championships between 1937 and 1951. It is thoroughly appropriate that this link with the past is maintained at such an historic moment in Australia's tennis history.

F.T. CROSSWORD PUZZLE NO. 6,235

XIMENES



Prizes of £10 each for the first five correct solutions opened. Solutions, to be received by next Thursday, marked Crossword on the envelope, to The Financial Times, 10 Cannon Street, London EC4P 4BY. Solution next Saturday.

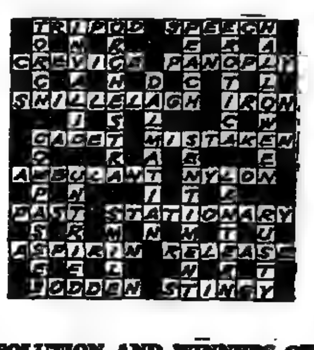
ACROSS

1 Pine dwelling of Borneo, for instance (4, 5)
6 Gold sovereign (5)
9 Cheese place of standard degree (5)
10 Way of saying "a present exchanged with love" (9)
11 In the hands of Turner, it represented a burnt ship (5-5)
12 Drink like a fish (4)
14 Ask earnestly for top of bread and cheese-spread (7)
15 Predicament of hat back to front on novel girl (7)
17 Sits awkwardly on a ship for seconds (7)
19 Like judge's chamber — one that has a shutter left (7)
20 Wine or pop? (4)
22 Harness needed for streetcar reversing in high wind (10)
25 Ordinal of oodles? (9)
26 Place in cricket, for example, without the century (5)
27 Too soon? Lordy! (5)
28 Saucer for Ganymede? (3-6)

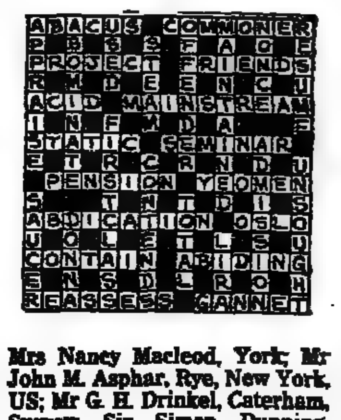
DOWN

1 Readily accept, like an imperfect insect rising (3, 2)
2 He loved the pools and saw himself winning! (9)
3 Cardiac relief for Pansy (6-4)
4 A foreign soil to dig up (7)
5 Former spouse stood revealed (7)
6 Just some water (4)
7 Wilde-Barker, we hear, in noise abatement? (5)
8 Sort of defence no good for Nick? (9)
13 Miner's issue, kind in Orient (10)
14 Hose about liberally in lakeside shed (4-5)
16 This duck ranges freely under French sea (9)
18 Describing tin-cans perhaps (7)
19 What a sauce to overtake . . . (7)
21 . . . what a sauce, what a frolic! (5)
23 Pierce, medical specialist to the queen (5)
24 Disagree with study-year (4)

Solution to Puzzle No. 6,234



SOLUTION AND WINNERS OF PUZZLE NO. 6,229



Mrs Nancy Macleod, York; Mr John M. Asphar, Rye, New York, US; Mr G. H. Drinkel, Caterham, Surrey; Sir Simon Dunning, Blanefield by Glasgow; Dr F. M. Barnes, Beaulieu, Hampshire.

TELEVISION AND RADIO

SATURDAY

†Indicates programme in black and white

BBC 1
8.30 am The Hunter. 8.35 The Muppet Babies. 9.00 Saturday Superstore. 12.15 pm Grandstand including 12.20 Football Focus; 12.50 News; Racing from Haydock at 1.00; 1.10 Ski-ing. 1.30 Racing; 1.40 Boxing from York Hall; 2.05 Racing; 2.10 Rallying; 2.30 Cricket (England v West Indies); 3.10 Rugby League; 3.50 Half Times; 3.55 Ice Hockey; 4.35 Final Score. 5.05 News. 5.15 Regional programmes. 5.20 Perfect Strangers.
5.45 Jim'll Fix It. 6.20 Hi-De-Hi! 6.50 Bob's Full House. 7.25 The Paul Daniels Magic Show. 8.10 Bergerac. 9.05 Carrott Confidential. 9.40 News and Sport. 9.55 Cagney and Lacey. 10.45 Cricket: World Series Cup (England v West Indies). 11.35 Film: "Let's Do It Again" starring Sidney Poitier and Bill Cosby.

BBC 2
2.15 pm Film: "Bitter Victory" starring Richard Burton, Curt Jurgens and Ruth Roman. 3.55 The Sky At Night. 4.15 Film: "Wind Across The Everglades" starring Burl Ives, Christopher Plummer and Gypsy Rose Lee. 5.45 International Bridge Club. 6.15 Micro Live. 6.45 Newsview. 7.25 Tchaikovsky: The Symphonies. 9.00 Saturday Review. 9.55 Film: "Thieves Like Us" starring Keith Carradine and Shelley Duvall. 11.55-1.35 am Film: "They Live By Night" starring Farley Granger and Cathy O'Donnell.

LONDON
6.55 am TV-am Breakfast Programme. 9.25 No 73. 11.00 The Outsiders. 12.00 News. 12.05 pm Saint & Greavsie. 12.30 Wrestling. 1.20 Chips. 2.15 Comedy Classics: Please Sir! 2.45 Athletics—Pearl Assurance National Indoor Championships. 4.45 Results.
5.00 News. 5.05 Walt Disney Presents. 5.15 Connections. 5.45 The A-Team. 6.45 Cannon and Ball. 7.15 Me & My Girl. 7.45 The Price Is Right. 8.45 News and Sport. 9.00 Dempsey and Makepeace. 10.00 Aspel & Company. 10.45 LWT News Headlines followed by "The Omen" starring Gregory Peck and Lee Remick. 12.40 am Glastonbury (Climax Blues Band).

CHANNEL 4
9.25 am A Question of Economics. 9.50 Moneyspinner. 10.20 The Living Body. 10.45 The World—A Television History. 11.15 Land Of The Lakes. 12.15 pm Isaura The Slave Girl. 12.55 World of Animation. 1.05 Channel 4 Racing from Kempton Park. †3.10 "Happy Landing" starring Sonja Henie, Cesar Romero, Don Ameche and Ethel Merman. 5.05 Brookside Omnibus. 6.00 Right To Reply.
6.30 The Great Australian Boat Race: The America's Cup. 7.00 News Summary followed by Sing Out. 7.30 Bandung File. 8.15 There Is A Happy Land. 8.45 Map Of Dreams. 10.00 The Power Game. 9.55 4 Minutes. 10.00 Hill Street Blues. 10.55 Another Audience with Dame Edna Everage. †11.55 "Stranger Than Paradise."

S4C WALES
10.30 am Opinions: The Red Flag. 11.00 A Week in Politics. 11.45 What the Papers Say. 12.00 Mavis On 4. 12.35 pm Young and Old. 1.05 Racing from Kempton Park. 3.05 Feature Film: "Wait 'Til The Sun Shines, Nellie." 5.00 Citizen 2000. 6.00 Right To Reply.
6.30 The Great Australian Boat Race. 7.00 The March of Time: In Time of War. 7.30 Newyddion. 7.50 Siôn a Siân. 8.20 Swrlwm Bro. 9.20 Y Maes Chwarae. 10.10 Soap. 10.40 Feature Film: "The Herd."

ANGLIA
IBA Regions as London except at the following times:—
11.00 am Tarzan. 1.20 pm Scarecrow and Mrs King. 12.45 am Shepherd's Pie.

BORDER
11.00 am Spiderwoman. 11.30 Pick A Number. 1.20 pm Curling (The Smirnoff Aberdeen Open).

CENTRAL
11.00 am Spiderwoman. 11.30 Runaway Island. 1.20 pm The Fall Guy. 2.15 Who's The Boss? 12.45 am Kool and the Gang. 1.40 Central Jobfinder '87.

CHANNEL
11.00 am Tarzan. 11.58 Today's weather. 1.20 pm The Fall Guy. 5.15 Blockbusters. 12.45 am Rock.

GRAMPIAN
11.00 am UFO. 1.20 pm Curling (The Smirnoff Aberdeen Open). 5.15 Blockbusters. 12.45 am North Headlines.

GRANADA
11.05 am The Greatest American Hero. 1.20 pm UFO. 2.15 Small Wonder. 12.45 am Special Session (Mint Juleps —a female acappella group).

HTV
11.00 am UFO. 11.58 HTV News. 1.20 pm Knight Rider. 10.45 Cup Rugby—Bath v Plymouth Albion. 11.30 "The Omen" starring Gregory Peck, Lee Remick, David Warner and Billie Whitelaw.
HTV Wales—As HTV West except:— 10.45-11.30 pm Cup Rugby (Bridgend v Ebbw Vale).

SCOTTISH
11.00 am Fireball XL5. 11.25 Aubrey. 11.30 The Smurfs. 1.20 pm Curling (The Smirnoff Aberdeen Open). 5.15 Blockbusters. 12.45 am Late Call.

TSW
11.00 am Gus Honeybun's Magic Birthdays. 11.03 Chips. 11.57 TSW News. 1.20 pm Tightlines. 1.35 Walt Disney Presents. 1.45 Diff'rent Strokes. 2.15 City Safari. 5.05 Newsport. 5.10 Blockbusters. 5.40 Gus Honeybun's Magic Birthdays. 12.45 am Postscript.

TVS
11.00 am Tarzan. 11.57 TVS weather. 1.20 pm The Fall Guy. 5.15 Blockbusters. 12.45 am Fiat Lux: Commercial Breakdown. 1.30 am Company.

TYNE TEES
11.00 am UFO. 11.55 Lookaround. 1.20 pm Tucker's Witch. 12.45 am Poetry of the People.

ULSTER
11.00 am The Outsiders. 11.58 Lunchtime News. 1.20 pm UFO. 4.55 Sports Results. 5.03 Ulster News. 8.57 Ulster News. 12.40 am News at Bedtime.

YORKSHIRE
11.00 am Planet of the Apes. 1.20 pm Tucker's Witch. 12.45 am Jobfinder.

BBC RADIO 2
Stereo on VHF
8.05 am David Jacobs. 10.00 Sounds of the 60s. 11.00 Album Time. 1.00 pm Pull The Other One. 1.30 Sport on 2 including Football; Athletics; Racing from Haydock Park; Rugby League; Rugby Union; Cricket; Yachting and at 5.00 Sports Report. 6.00 I'm Sorry I Haven't A Clue. 6.30 Look What They've Done To My Song. 7.00 The Conch Quiz. 7.30 Rodgers and Hammerstein at the Barbican. 9.30 String Sound. 10.05 Martin Kelner. 12.05 am Night Owls with Dave Gelly. 1.00 Bill Rennells presents Nightride. 3.00-4.00 A Little Night Music.

BBC RADIO 3
7.00 am News. 7.05 Aubade. 9.00 News. 9.05 Record Review. 10.15 Stereo Release. 11.25 Chicago Symphony Orchestra: Mussorgsky orch Shostakovich (Prelude: Khovanshchina), Mozart (Piano Concerto No 13, with Malcolm Frager); (12.05 pm Interval Reading); 12.10 Shostakovich (Symphony No 15). 1.00 pm News. 1.05 Takacs String Quartet: Haydn (Op 76 No 1), Beethoven (Op 18 No 5). 2.00 Yitkin Seow piano recital. 3.00 Bruno Walter conducting Barber (Symphony No 1—mono), Schumann (Piano Concerto, with Eugene Istomin) and Bruckner (Symphony No 9). 5.00 Jazz Record Requests. 5.45 Critics' Forum. 6.35 'T Nederlandse Orgel. 7.15 Heinrich Marschner's opera "Hans Heiling" sung in German in a Cologne Radio recording with Hermann Prey in the title role (8.20-8.25 Interval Reading). 9.40 Wiped Off The Map. 10.10 Music For Two Pianos played by Robert Bridge and Jonathan Higgins. 10.50 Bracknell Jazz Festival (American trio "Third Kind Of Blue"). 11.57-12.00 News.

RADIO 4
7.00 am Today. 9.00 News. 9.05 Sport on 4. 9.30 Breakaway. 10.00 News; Loose Ends. 11.00 The Week in Westminster. 11.25 From Our Own Correspondent. 11.55 The Weekend on 4. 12.00 News; Money Box. 12.27 pm The News Quiz (S). 12.55 Weather. 1.00 News. 1.10 Any Questions? 1.55 Shipping Forecast. 2.00 News; Dilys Powell's History of the British Cinema (S). 2.30 The Afternoon Play (S). 4.00 News, International Assignment. 4.30 Science Now.
5.00 The Living World. 5.25 Week Ending. 5.50 Shipping Forecast. 5.55 Weather. 6.00 News; Sports round-up. 6.25 Stop The Week with Robert Robinson (S). 7.00 Saturday Night Theatre (S). 8.30 Baker's Dozen (S). 9.30 Thriller! 9.50 Ten To Ten (S). 9.58 Weather. 10.00 News. 10.15 The Saturday Feature. 10.45 The Enthusiasts. 11.00 Tales From The Mausoleum Club (S). 11.30 The Cabaret Upstairs (S). 12.00-12.15 am News.

SUNDAY

† Indicates programme in black and white

BBC 1
8.55 am Play School. 9.15 Umbrella. 9.30 This Is The Day. 10.00 Asian Magazine. 10.30 Great Experiments. 10.55 Buongiorno Italia! 11.20 Lyn Marshall's Everyday Yoga. 11.30 Parent Programme. 11.45 Telejournal. 12.10 pm Sign Extra. 12.35 Farming. 12.58 Weather for farmers. 1.00 This Week Next Week. 2.00 EastEnders.
3.00 pm Just Another Day. 3.40 Snooker: The Benson and Hedges Masters. 5.05 The Diary of Anne Frank. 5.40 Antiques Roadshow. 6.25 News. 6.40 Songs of Praise. 7.15 Last of the Summer Wine. 7.45 Miss Marple: At Bertram's Hotel. 8.40 Mastermind. 9.10 News. 9.25 That's Life. 10.10 Everyman: My Father's World. 10.50 The London Evening Standard Film Awards.

BBC 2
9.45 am Open University. 10.10 Whirlybirds. 10.35 The Charlie Brown and Snoopy Show. 10.55 Blue Peter. 11.45 The Monkees. 12.10 pm Windmill. 1.10 No Limits. 1.40 Rugby Special. 2.20 The Week in The Lords. 3.00 Film: "Indiscreet," starring Cary Grant and Ingrid Bergman. 4.35 Music in Camera.
5.10 Thinking Aloud. 5.45 Ski Sunday. 6.30 The Money Programme. 7.15 Seventy Summers. 7.45 The Natural World. Bats Need Friends. 8.35 Snooker. 9.25 Did You See? 10.10 Film: "After Pilkington," starring Bob Peck, Miranda Richardson and Barry Foster. 11.50-12.45 am Snooker. The Benson and Hedges Masters.

LONDON
6.55 am TV-am Breakfast Programme. 9.25 Wake Up London. 9.30 Fraggle Rock. 10.00 No 73. 10.30 The Adventures of Black Beauty. 11.00 Morning Worship. 12.00 Weekend World. 1.00 pm Police 5. 1.15 The Smurfs. 1.30 Getting On. 2.00 LWT News Headlines followed by Encounter. 2.30 The Big Match Live: Nottingham Forest v Everton. 4.30 A Little Princess. 5.00 City Safari. 5.30 Bullseye.
6.00 The Television Show. 6.30 News. 6.40 Highway. 7.15 Catchphrase. 7.45 Surprise Surprise. 8.45 Crazy Like a Fox. 9.45 News. 10.00 The World According to Smith & Jones. 10.30 The South Bank Show. 11.30 LWT News Headlines followed by End of Empire.

CHANNEL 4
9.25 am Sunday East followed by Deewarain. 10.00 The World This Week. 11.00 Worzel Gummidge. 11.30 The Waltons. 12.30 pm The Tube. 2.00 Pob's Programme. 2.30 Viva Verona: "Attila" (one of Verdi's early operas with Russian bass Evgeny Nesterenko in the title role). †4.30 Sunday By The Sea.
4.45 Gardeners' Calendar. 5.15 News Summary followed by The Business Programme. 6.00 Australian Rules Football followed by NFL Update. 7.15 The World At War. 8.15 State of the Art. 9.15 A Fortunate Life. 11.00 Super Bowl XXI: New York Giants v Denver Broncos, from the Pasadena Rosebowl, California.

S4C WALES
9.00 am Hafoc. 10.00 The World This Week. 11.00 Worzel Gummidge. 11.30 The Waltons. 12.30 pm The Tube. 2.00 Gloriana. 4.45 Arwyddion Ffyrdd. 5.15 The Business Programme. 6.00 Australian Rules Football. 7.00 NFL Update. 7.15 Wil Cwac Cwac.
7.20 Newyddion. 7.30 Cadwyn Cerdd. 8.00 Pobol y Cwm. 8.30 Dechrau Canu, Dechrau Canmol. 9.00 Rhaglen Hywel Gwynfryn. 9.35 Snwcer. †10.20 Scales of Justice. 11.00 Super Bowl XXI.

IBA Regions as London except at the following times:—

ANGLIA
9.25 am Cartoon. 11.00 pm The Beverly Hillbillies. 1.25 Weather Trends. 1.30 Farming Diary. 12.30 am Walking in the Light.

BORDER
9.25 am Border Diary. 1.00 pm Farming Outlook. 8.45 Burns—The Auld Tunes. 9.30 Weir's Way.

CENTRAL
9.25 am Max The 2000 Year Old Mouse. 1.00 pm Getting On. 1.30 Here and Now. 12.30 am Central Jobfinder '87.

CHANNEL
9.25 am Today's Weather. 9.28 Starting Point. 1.00 pm Les Français Chez-Vous. 1.30 Enterprise South. 6.25 Channel News Headlines and Weather.

Joan Hickson as Miss Marple with George Baker —at Bertram's Hotel, BBC1, 7.45pm

GRAMPIAN
9.25 am Cartoon. 11.00 Sunday Service from Queen's Park Baptist Church. 11.30 A Personal View (Prof Robert Craig). 1.00 pm Farming Outlook. 1.30 Link. 2.30 Scarecrow and Mrs King. 3.20 Cartoon. 3.30 Bullseye. 4.00 City Safari. 5.00 Scotsport. 8.45 Burns—In Search of the Auld Tunes. 9.30 Weir's Way. 12.25 am Reflections.

GRANADA
9.25 am Max the 2,000-Year-Old Mouse. 1.00 pm Members Only. 1.05 Aap Ka Hak. 1.10 Wish You Were Here . . . ? 1.40 This Is Your Right. 11.30 Hotel.

HTV
9.25 am Max the 2000 Year Old Mouse. 1.00 pm West Country Farming followed by Weather for Farmers. 6.38 HTV News.

SCOTTISH
9.25 am Peter's Adventures. 11.00 Sunday Service from Queen's Park Baptist Church, Glasgow, features the ordinance of Believers' Baptism. 11.25 Cartoon. 11.30 Farming Outlook. 1.00 pm The Glen Michael Cavalcade. 2.00 Scottish Assembly Special: Aids—An Act of God? 3.30 Bullseye. 4.00 City Safari. 5.00 Scotsport. 8.45 Burns—In Search of the Auld Sangs. 9.30 Weir's Way. 12.30 am Late Call.

TSW
9.25 am Look and See. 1.00 pm The South West Week. 1.30 Farming News. 4.30 Gardens For All. 6.35 TSW News. 12.25 am Postscript Postbag.

TVS
9.25 am Employment Action! 1.00 pm Agenda. 1.30 Enterprise South. 6.25 TVS News. 12.30 am Company.

TYNE TEES
9.25 am Hello Sunday. 1.00 pm Farming Outlook. 12.30 am Epilogue. SUNDAY 25th JANUARY 1987

ULSTER
9.25 am Cartoon Time. 12.58 pm Lunchtime News. 1.00 Getting On 1.30 Advice with Anne Hailes 1.58 Farming Weather. 6.38 Ulster News. 8.45 The Cosby Show. 9.15 Sing Out. 9.57 Ulster News 12.25 am Sports Results. 12.30 News at Bedtime.

YORKSHIRE
9.25 am Cartoon Time. 1.00 pm Getting On. 1.25 Farming Diary. 12.30 am Five Minutes. 12.35 Jobfinder.

BBC RADIO 2
Stereo on VHF
7.30 am Roger Royle says Good Morning Sunday. 9.05 Melodies For You. 11.00 Desmond Carrington with your Radio 2 All-Time Greats. 2.00 pm Benny Green. 3.00 Alan Dell with Sounds Easy. 4.00 Peter Morrison Sings. 4.30 Sing Something Simple. 5.00 Charlie Chester with your Sunday Soapbox. 7.00 Living With Betty. 7.30 Operetta Nights. 8.30 Sunday Half-Hour. 9.00 Your Hundred Best Tunes. 10.05 Songs From The Shows. 10.45 Margaret Gibbs . . . at the piano. 11.00 Sounds of Jazz with Tony Russell. 1.00 am Bill Rennells presents Nightride. 3.00-4.00 A Little Night Music.

BBC RADIO 3
7.00 am News. 7.05 La Petite Bande plays excerpts from Gluck's "Orfeo ed Euridice." 8.15 The Musician's Musician: Violinist Arthur Grumiaux in works by Schubert, Mozart and Ravel. 9.00 News. 9.05 Your Concert Choice. 10.30 Music Weekly. 11.15 Nash Ensemble (Chamber music by Ropartz, Roussel and Poulenc). 12.15 pm From The Proms. BBC Philharmonic: Shostakovich (Violin Concerto No 1, with Dmitry Sitkovetsky); (12.55 Interval Reading); 1.00 Tchaikovsky (Manfred Symphony). 2.00 From The Festivals. Strauss recital by soprano Jessye Norman at last year's Salzburg Festival (2.30-2.35 Interval Reading). 3.30 The English Concert. Concertos by Handel, Bach realised Leonhardt, Vivaldi and Bach's Suite No 1 (4.15-4.20 Interval Reading). 5.00 Clarinet Miniatures. 5.30 New Premises (Arts review with Nigel Andrews). 6.15 Envy, Hatred and Malice (Rodney Milnes illustrates themes from opera). 6.40 Liszt and the Piano. 7.30 Artur Rubinstein Memorial Concert. The first UK performance of Penderecki's "Polish Requiem" from the Royal Festival Hall, London, conducted by the composer. 9.10 The Eye of the Lord. 9.30 Medici String Quartet. Mozart (Hoffmeister K 499), Mathias (Quartet No 3); (10.30 Interval Reading). 10.35 Schubert (A minor, D 804). 11.10 Czech Piano Music. 11.57-12.00 News.

RADIO 4
7.00 am News. 7.10 Sunday Papers. 7.15 On Your Farm. 7.40 Sunday including 7.55 Weather. Travel; 8.00 News; 8.10 Sunday Papers. 8.50 The Week's Good Cause. 8.55 Weather; Travel. 9.00 News. 9.10 Sunday Papers. 9.15 Letter From America by Alistair Cooke. 9.30 Morning Service (S). 10.15 The Archers (Omnibus edition) 11.15 Pick Of The Week (S). 12.15 pm Desert Island Discs (S). 12.55 Weather. 1.00 The World This Weekend. 1.55 Shipping Forecast. 2.00 News; Gardeners' Question Time 2.30 The Afternoon Play (S). 3.30 Horizons. 4.00 News; The Food Programme. 4.30 The Natural History Programme. 5.00 News; Travel 5.05 Down Your Way. 5.50 Shipping forecast. 5.55 Weather. 6.00 News. 6.15 Actuality: VSO; Fears, fantasies and expectations. 7.00 German Election Report 7.15 The Miller's Reel. 8.00 Bookshelf. 8.30 A Word in Edgeways. 9.00 News: Some Mother's Son (S): 9.30 The Press Barons. 9.55 Weather; Travel. 10.00 News; German Election Special from Bonn. 11.00 Seeds of Faith. 11.15 In Committee. 12.00-12.15 am News.

Taking your car on holiday

John Griffiths gives a guide to the roads to freedom far and wide

THE NAMES might remain the same—although even that is far from certain—but considerable changes are taking place among the ferry operators who transport 1.5m Britons a year and their cars on holidays abroad.

The biggest upheaval is taking place at European Ferries, or Townsend Thoresen as it is better known to the majority of Channel-crossing motorists. It is the subject of an agreed bid by Peninsular and Oriental Steam Navigation, itself much better known as P & O, and Britain's largest shipping company.

P & O is already a familiar name in the cross-Channel business, but in the not particularly positive sense that it finally sold its own modest ferry service, Normandy Ferries, to European Ferries last summer.

But the holiday motorist is likely to be concerned only with what impact the new owners (presuming the takeover is finalised) might make on the structure and nature of Townsend's services, which have established a firm reputation for efficiency out of Dover, Calais, Felixstowe, Portsmouth and Cairnryan.

So far P & O has provided no clues, and it appears that for this year at least services will be as usual except, from the consumer's point of view, for the highly significant addition of two long-awaited new "jumbo" ferries expected to enter service in time for summer and which form part of a total £170m investment in Townsend's operations over the past five years.

Meanwhile formerly State-owned Sealink has been involved in highly convoluted manoeuvrings which have seen its departure, probably temporarily, from Channel Island services, and a new competitor has emerged on Irish Sea crossings in the form of Swansea Cork Car Ferries, owned by Irish and Welsh interests.

With the prospect of a fixed cross-Channel link looming and the possible disincentive to cross-Channel holidays posed by the fall of sterling against most European currencies, operators have been keen this year to minimise price increases. The average is around 5 per cent, while in some cases like Sally Line's special rates for up to five passengers travelling in one car—it is possible to travel more cheaply than in 1986.

In spite of the adverse currency situation, Andrew Johnson, the Automobile Association's executive manager (travel products), expects a 15-20 per cent expansion of the AA's packaged motoring holiday business, conducted under the Argosy name. That is good news for the ferry operators, but the accommodation element of the packages means an average increase in the overall price of such holidays of 8-9 per cent, Johnson expects.

Even if a motorist wants to organise his own accommodation, there appears to be a growing trend for the travel itself to be packaged. For example, car ferry, French Motorail and the AA's Five-Star motoring insurance and breakdown service can be combined by Argosy into a package to transport a couple to Nice and back.

The choices available to the holidaying motorist, in terms of ferry routes and facilities on board, are also widening and very much to his benefit.

Some examples:

Brittany Ferries is launching a new route, Portsmouth-Caen, and is spending £2m on upgrading its vessels;

During the first half of this year, two new vessels are to go into service with North Sea Ferries, plying between Hull and Rotterdam and which are an attractive proposition to those living in Scotland and the north of England.

Not least, for those who have no interest in enjoying the ferry trip itself as part of a holiday, Hoverspeed is to operate 27 flights a day at up to 75 mph on its Dover to Calais and Boulogne runs, taking only 35 minutes to transport up to 55 cars and 424 passengers.

Saved time does appear to be a growing consideration, judging by the fact that Hoverspeed's revenue increased by over 50 per cent last year. It is now carrying 2m foot passengers and 250,000 cars a year.

WHAT IT COSTS IN AUGUST ON SHORTEST CHANNEL CROSSINGS

	Small car (up to 4m) family of 4*		Medium car (4-4.5m) 2 adults		Large car (4.5-5m) family of 4	
	Peak £	Off-peak £	Peak £	Off-peak £	Peak £	Off-peak £
Sealink	180	130	174	118	202	146
Townsend Thoresen	180	130	174	118	202	146
Sally Line†	136	114	156	112	160	114
Hoverspeed	206	178	198	172	232	206

NOTE: For return journeys spanning more than one day. * Calculated on two children aged 4-14 (under 4s travel free).

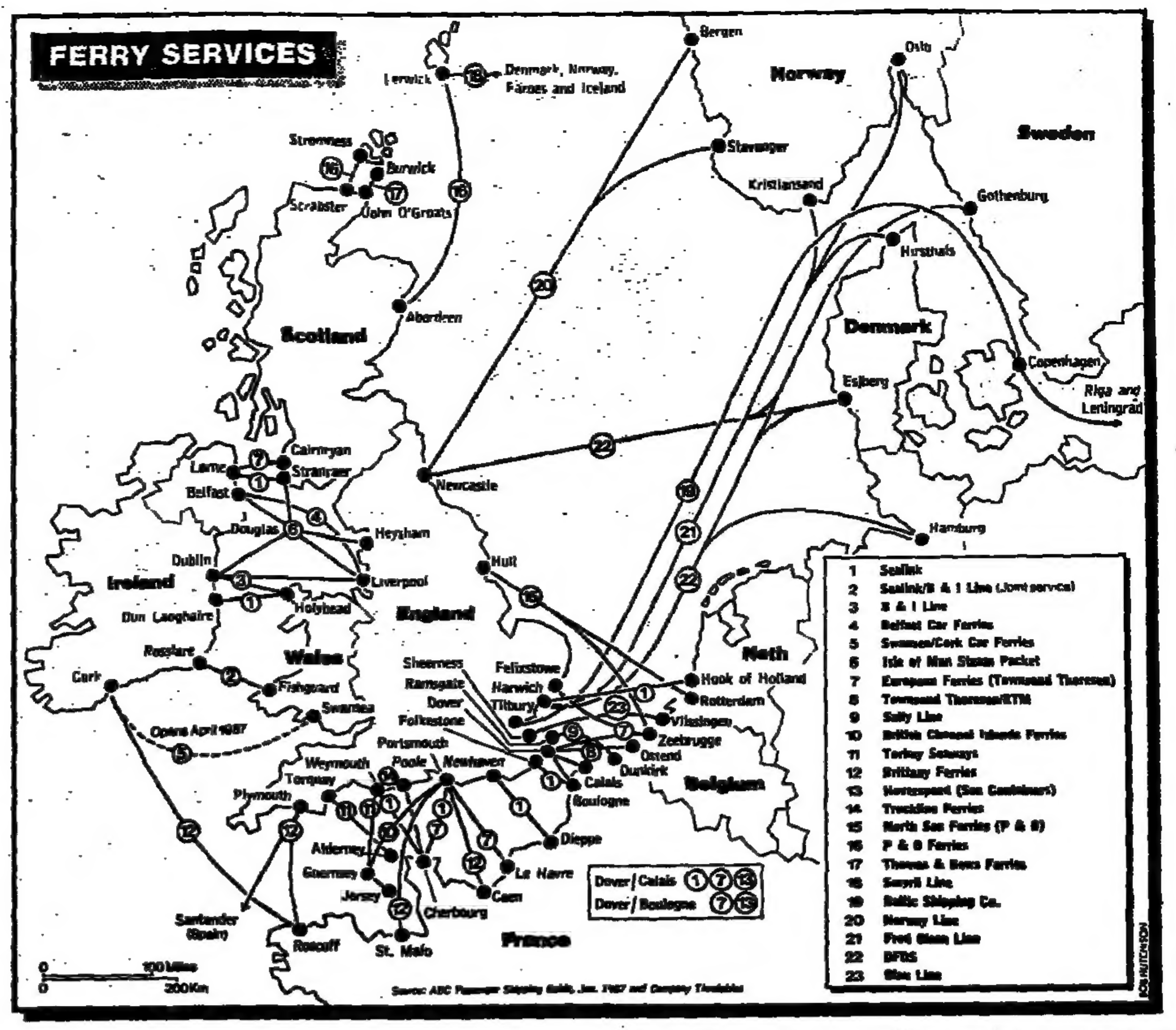
ROUTES

Sealink: Dover/Folkestone-Calais/Boulogne; Dover-Dunkirk.

Townsend Thoresen: Dover-Calais/Boulogne.

Sally Line: Ramsgate-Dunkirk.

Hoverspeed: Dover-Calais/Boulogne.



Night trains to adventure

THESE DAYS even Mr Toad, I suspect, couldn't raise a "poop" faced with 500 miles of motorway or autoroute.

It could certainly be enjoyable (traffic permitting) if being holiday-bound means galloping two-up in a Ferrari through West Germany, Valkyries astride the Blaupunkt.

But for the other 99.99 per cent of us, family cars fully laden and children graduating rapidly from "I-Spy" through boredom to juvenile MAD (mutual assured destruction), bridging the road gap between Channel and the continent's balmy bits can be as much fun as sewing mailbags.

The same goes for holidaying by car in the UK:

For anyone living south of Watford who has never strayed into the far north, motoring in the Scottish Highlands can be one of life's great pleasures. The pain lies in driving the bit in the middle and, return,

But for those who are in a hurry, an effective answer is Motorail. As a former, once-bitten sceptic who smarted for a decade from an uncaring British Rail enduro between Euston and Edinburgh, I'm now a convert, at least to overnight motorailing.

Meals can often be preordered or, our preferred way, simply nightcaps and so to bed. Children see the whole thing as an adventure, and the sense of motion — but no longer noise thanks to modern, air-conditioned and soundproofed rolling stock — is a definite sleep inducer.

Whether one is arriving at Inverness by British Rail, Nice with SNCF or even further afield like Milan, the scheduling is usually aimed at breakfast-time arrival, so that virtually no useable holiday time is lost.

Go during the daytime, and SNCF even has carriages converted to playrooms—a significant tension-reliever for parents and children alike.

An ever-growing number of holidaymakers consider the advantages to be worth the cost. This year, French Motorail celebrates its 30th anniversary, and is a very different operation from the simple Boulogne-Lyon route on which it was founded. It now has 130 routes taking 320,000 cars and 1m passengers a year.

Business provided for it by Britons rose last year by 50 per cent to nearly 30,000 cars and

Motorail

100,000 passengers, with SNCF attributing the increase to the fact that nearly all Channel ferry operators and motoring organisations now detail the services in their own brochures.

For 1987 two new destinations have been added from Boulogne, Toulouse and Nice, while some schedulings have been made more civilised.

At first sight, however, the cost looks daunting. Take, for example, a family of four with two children, one under 4 and one aged 7 (under-4s go free, over-11s pay full fare), motorailing Boulogne-Nice return first class. Irrespective of date of travel and length of car, the fare will be £426.70 for car and driver; £130 for the second adult, and £65 for one child. Total so far: £621.70.

Ah, but both are overnight services — and sleeping accommodation is compulsory. Two interconnecting first class double berths cost £124 for a grand total of £745. Ouch!

So let us cost some of the offset.

First, the round trip by road is about 1,600 miles. And in spite of what the car ads say, if you're travelling by autoroute you're going fast; you're also four-up and heavily laden. If your car is petrol, not diesel, you will not be doing much more than 25 miles per gallon. Item: about £120.

Using the autoroutes, there is a sizeable tolls bill to pay: about £30. You stop for lunch, and since this is holiday time £20 isn't bad even for France, given the state of the pound. Two hundred miles further on, the guide mentions an intriguing hotel not too far off the highway near Dijon. There goes another £50 for accommodation. Using the nearby seafood restaurant adds another £25.

Add lunch the following day, say £20 again, and reckon to spend a similar amount on the return. We now have a total of £380.

On that basis, Motorail's roughly £350 extra might seem a high price to pay for three days of travelling time saved and lack of wear and tear on car.

Either way cross-Channel ferry costs are on top. But the Motorail picture starts to look better with an inclusive ferry/Motorail ticket. That would cost a total of £810, shaving about £150 further off the gap at peak holiday times.

But travelling second class, using a three-bed sleeping compartment, the same family would pay £630 for the return trip, including ferry crossing. And at that point, even the crude financial gap virtually disappears between motorailing and the ferry/drive routine.

The more people in a car, obviously, the more economical journeying by car becomes compared with Motorail. But to compromise, say, on a Scottish touring holiday and travel to Edinburgh by Motorail as a jumping off point, our example family is faced with the following bill for a return trip this summer:

At "peak" periods (July 16 to September 13 inclusive and all Fridays) £349. This is made up of £205 for the car and driver return, £64 for wife or husband and £40 each for children aged 5-15. This presumes two, two-berth sleeping compartments being taken, rather than single-berth units.

At a non-peak period the cost would be £319.

For me, the deciding factor is the way in which standards of Motorail services have improved in recent years.

Avoiding the herd

MUCH LIKE Laurie Lee walked out one midsummer morning, unguided, to touch the heart of 1930s Spain—so it is easy to see the allure of loading the car, throwing maps into the glove compartment and heading for the Continent.

Try it in midsummer of the 1980s, and the dream is likely to shatter on the UK side of the Channel. That is about as far as would be reached without an advance ferry booking. There is also precious little open road appeal in an autoroute or autobahn.

As for using the off-the-beaten track guides to gems of restaurants and small, family-run hotels deep in the Auvergne or Andalucia, these days you're likely to arrive on the steps with half a dozen other travellers all clutching the same guide—except that there is no room for you because they are already booken in by a tour operator who has organised every last detail of their trip. Going it alone for most people, would be like living next to Sainsbury's but insisting on self-sufficiency.

For unlike the package holiday-by-air trade (where flying is "cattle class" (cabin crew private parlance) there is no sense of being part of a herd.

You choose when to go and where, whether hotel, villa, gite or even under canvas — the tour operator then organises for you as much, or as little, of your holiday as you like.

Packaged motoring holidays have been a growth sector for some years, and they have become sophisticated. The ferry operators, motoring organisations and independents are all jostling hard for a share of the market.

The Royal Automative Club's "Go as you please-Europe" holidays are an example of the flexibility now to hand. The RAC has linked with the Best Western hotels chain to allow holidaymakers to wander through western Europe, including Scandinavia but excepting Greece, Portugal and Norway, staying at any of the 500 Best Western hotels, the majority of which are three-star.

The RAC books the first night's stay at the place of choice, and supplies the holidaymaker with vouchers for subsequent nights. So the party can decide to stay on for a day or two at the first chosen place, or move on elsewhere in the chain, with the new booking being made from the first hotel.

The holiday price includes car ferry, the RAC's own Eurocover Motoring Assistance scheme, which includes items

Packages

such as a rental car in case of breakdown and, of course, accommodation on a bed and continental breakfast basis. In high summer, the cost of a holiday covering five nights for two adults in one car would be £476. Children under 3 go free, except for breakfast payment.

Like its deadly rival the Automobile Association, the RAC also offers a wide range of more static holidays. These include hotels in France, Germany, Luxembourg, Switzerland, Austria and Italy, plus an equally wide range of gites and other self-catering accommodation.

The AA itself has produced two holiday brochures this year, one of which is devoted exclusively to the booming demand for that rural French phenomenon, the gite.

Gites vary enormously in character, from a mini-wing of a coastal farmhouse in Normandy, to a renovated barn in the Languedoc-Roussillon. What all have in common, of course, is that they conform (or should) to the standards laid down by the charter of the Federation Nationale de Gites Rureaux.

Argosy, the AA's holidays arm, naturally includes the AA's 5-Star travel service and ferry crossing on the holiday charges, which can vary considerably according to the standard of gite (one ear of wheat in the grading system means basic but comfortable: three ears should have considerable comfort and be in areas of particular beauty). They are particularly good value.

For example, a two-eared(!) gite 3km from the Dordogne's Bergerac, has two bedrooms, living room and interesting grounds and costs £170 per person for two weeks at the height of the season for four adults sharing (ferry, etc, included, of course) and which drops to around £135 per person in June or September.

Otherwise, Argosy still concentrates on self-catering accommodation, rather than hotels, for its other holidays, ranging well down into Italy.

Golfers might make particular note of Le Domaine de la Bretesche, featuring modern cottages set in the 250 acres of a 14th-century castle, alongside one of the most beautiful courses in Europe. Prices range from £131 per person for a week, including green fees, tennis, fishing, swimming pool, and clubhouse.

One could go on, the selection is enormous, not just from the motoring organisations but from Townsend Thoresen, Sealink, Hoverspeed and Brittany Ferries, to name but four of the ferry operators now operating motoring packages, including some in the Republic of Ireland.

Helpful hints

NOT EVEN the most comprehensive insurance schemes can prevent inconvenience, at least, if a car does decided to break down deep in the *bundu*, at dead of night and with the last homely house that might have a phone five miles back down the road.

Provided the problem is minor, such as burst hose, fan-belt, coil, etc, you should be on your way quickly if you have had the forethought to instal a basic tool kit, a manual for your car (Haynes publishes perfectly adequate ones for just about every car on the road) and a gallon can of water to go alongside your rented spares kit. Add a mechanic's light which plugs into the cigarette lighter socket and you can practically rebuild the car.

Many other precautions are pure common sense — but it's amazing how they get overlooked.

The most obvious self-protection measure is to have the car thoroughly serviced before setting out. Also, make sure you take along at least one extra set of vehicle keys and that they are entrusted to the most careful member of the party.

Back up the numerous pieces of plastic in your wallet with at least one large-denomination note of the country through which you are travelling. Old Gianni, the village's ace mechanic, is more than likely to be a cash-on-the-nail Samaritan.

And difficult as it may be to resist temptation, do not overload the vehicle — particularly if it is a station wagon. That applies to volume as well as to weight. In particular, try never to load a station wagon above the rear seat height.

Some other hopefully helpful hints:

DO remember that nearly 75 per cent of luggage thefts reported abroad are from cars, so lock it everywhere and remove the luggage immediately on arrival at hotel.

DO NOT forget that traffic regulations and enforcement can contrast sharply with the UK. For example, in France, you should use sidelights only on illuminated roads.

In West Germany you can park only on the right hand side of the road. A broken yellow line means NO parking, and parking along major roads in urban areas is banned. In Austria, you must not use your hazard warning lights if you break down.

USEFUL ADDRESSES

SNCF (French Railways) 179 Piccadilly, London W1V 0BA. Tel. 01-409 3518.

ROYAL AUTOMOBILE CLUB, 49 Pall Mall, London SW1Y 5JG. Tel. 01-839 7050.

AUTOMOBILE ASSOCIATION, Fanum House, Basingstoke, Hampshire RG21 2EA. Tel. 0256 20123.

FRENCH NATIONAL TOURIST OFFICE, 178 Piccadilly, London.

BRITISH TOURIST AUTHORITY, Thames Tower, Black's Road, London W6 9E.

ENGLISH TOURIST BOARD, 1 Grosvenor Gardens, London SW1W 0DU.

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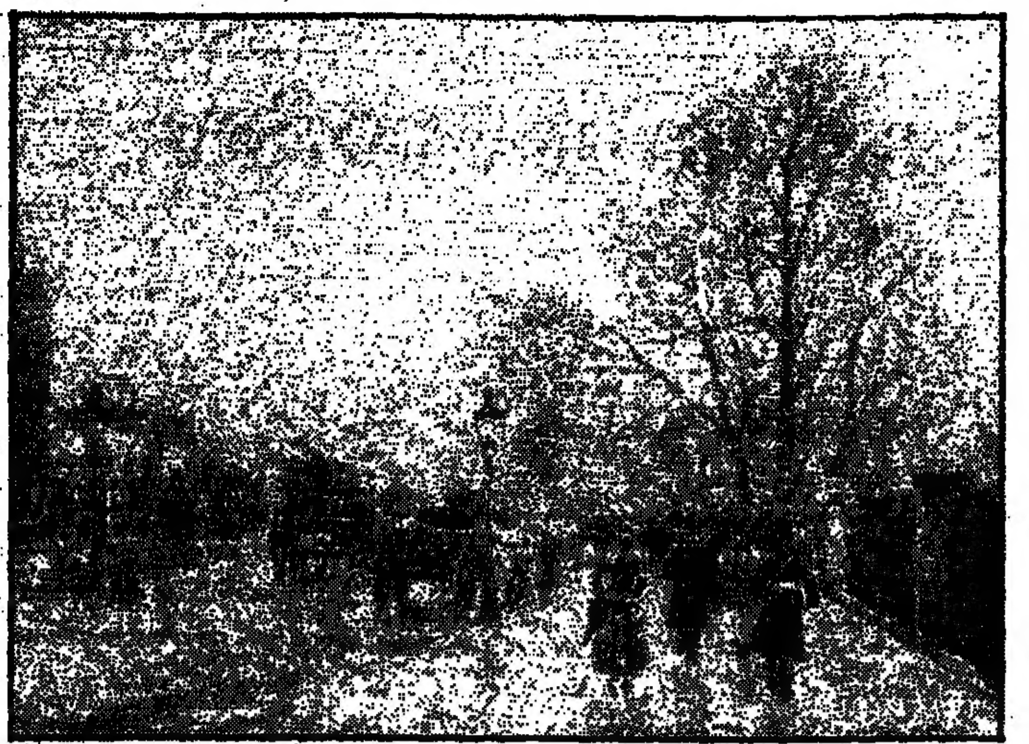
Saleroom

Britons have always favoured watercolours. Antony Thorncroft notes a move alway from the "jolly hollyhocks" style of painting



Whitehall — Herbert Menzies Marshall, 1889

Turn on water works

THE DEALERS are fighting back against the recent dominance of the art market by the salerooms. Their most effective weapon is proving to be the trade fair and one of the most delightful in the calendar — the World of Drawings and Watercolours — continues until tomorrow at the Park Lane Hotel in Piccadilly.

As the doors opened on Wednesday there was something of the atmosphere of a Harrods sale as fellow dealers and private collectors rushed in and fell on the 2,000 works spread over fifty stands.

Watercolours and drawings are, of course, the British vice. We are the main collectors; we believe our artists, especially those of the early 19th century, to be the choicest practitioners of the art; watercolours in particular are the desired decoration for middle class British homes.

This can be the *despair of the* trade who would welcome some *yen-heavy Japanese buyers and* are well aware that the price *rise of the past three years* could melt away like the snow if the *UK economy falters.* Indeed, over the past year, prices at auction have hardly increased.

As well as the insularity of buyers, the dealers are also irritated by their conservatism. Last year saw the first watercolour fair, and although it was a great success, to the purist it was awash with second rate, pretty-pretty, floral watercolours. This year the hanging committee has attempted to weed out much of the "jolly *hollyhock*" school. The aim is to present a more challenging range of art for the prospective buyer.

So foreign dealers have been lured in, and Galerie Arnoldi-Livie of Munich is offering a Paul Klee, and Ivo Bouwman of Holland a Caspar David drawing. *Leading dealers in* modern art, such as Gillian *Jason* have taken space, and her rivals were salivating over a *Frank Dobson she has for sale* at £500. Despite the attempt to include *more drawings,* more works by Old Masters, more portraits, more demanding art the price range starts at £25, although most exhibits are within the £200-£800 bracket.

And there are still plenty of decorative watercolours—Helen Allingham cottages; Louise Rayner townscapes; the Victorian picture book world of Myles Birket Foster. This is popular art and even the rise of the *Newlyn School, on the* David Messum stand, or the pre-*Raphaelite offerings at Maas* and Julian Hartnoll cannot disguise the overwhelming reassuring familiarity of most of the pictures.

There are goods for the discerning connoisseur, drawings by Gainsborough and Lord Leighton, but, in the main, the *organisers have succeeded* in raising the standard and broad*ening the range without despis*ing the taste of their patrons. Judging by *the success of 1986* enough browsers will make the *jump from* landscapes to the figurative, from the chocolate box to the *stimulating,* to give the trade a new year lift.

The most expensive work on offer is "Twilight fantasies," a bewitching faery painting by Edward Robert Hughes. It caries an £85,000 price tag on the Jeremy Maas stand. He bought it at Phillips in November for £63,800. This explains, in part, why the salerooms have succeeded in attracting so many private buyers in *recent years. On the other hand* when buying from a dealer you *are getting a better researched* painting, cleaned up, and with a buy-back option.

There should be plenty of dealers, keen to build up their depleted stocks, for Sotheby's sale on Monday. Over four hundred, mainly routine, watercolours and drawings come under *the hammer. Unlike* the lords of Park Lane, Sotheby's *grits* its teeth and sells off dozens of the late Victorian *garden fancies, well aware that* prettiness is what buyers want most of all. *Anyone who can't* quite afford the £4,000 plus for a *Helen Allingham* has a large choice from similar artists, like Lilian Stannard or Beatrice Parsons, at less than half the price.

Worthwhile watercolours are no longer cheap but the best remain excellent value. Sotheby's is offering eight works by the much acclaimed landscape artist Albert Goodwin, and Simon Taylor, who is responsible for the auction, also *selects Herbert Menzies Mar*shall, painter of Belle Epoque *scenes but of London,* and the Pre-Raphaelite John Brett, as names to watch. The great watercolour artists of the early 19th century are now too expensive for the majority while the late Victorian's sentimentality seems to have peaked as a fashion. It is time for the *artists of the mid-century to* come into their own.

Marilyn Bentley looks at the appeal of prints charming

All human lithos there

BY FINE art standards, limited edition lithographs are not expensive Jane Hindley, director of the Curwen Gallery suggests a range from about £75 for a standard sized print by a contemporary British artist, to about £1,000 for one by an international "celebrity" such as Henry Moore.

Some are vastly more expensive. A Jasper Johns print sold recently in New York for *$42,000, and among 20th century* artists now dead — Picasso, Matisse — *records for original* print prices are being broken all the time.

But the secondary market for lithographs is unpredictable. Works by Roy Lichtenstein, David Hockney and Richard *Hamilto nmay fetch huge sums* but there is a whole generation of famous artists where there is no resale value at all, says Alan Christea, director of Waddington Galleries.

"R. B. Kitaj, say—there is no market for his prints, because he saw himself primarily as a *painter. Henry Moore's* prints may fetch £3,000 to £4,000 at auction, but most stay in the £1,000 range."

"Pro rata, the best images by the best artists are likely to appreciate in value in the same way as their original paintings," he says.

Christie's quotes a spectacular but not unrepresentative *example: an impression of* Chagall's *Le Jugement de Chloé,* produced in 1961, was sold by hte German auction house Hauswedell and Nolte in 1977, for $8,786. In December 1986, Christie's sold an impression of the same work for $39,050.

In the contemporary market, very few prints have an immediate investment potential. "Generally speaking, although we have included them in sales, they have not been very successful," says Jonathan Horwich, head of the watercolour and print department of Christie's in South Kensington.

"But I feel the market is in its infancy. People are becoming more confident than they were five years ago, and are buying what they like—which is *what it's all about.* It's refreshing to see that people are getting bolder, and building up what may become important collections. Twenty years ago, I couldn't possibly have imagined what Hockney's prints would sell at today," says Alan Christea. "If someone had told me, I'd have said they were mad."

Moderate prices may have something to do with the increasing popularity of lithographs over the past 20 or 30 years, but it is by no means the whole story. "People know more about lithographs and are interested in the technique of prints now," says Hindley. "We find our customers buy them because they're interested in *the work itself.*"

It was to foster and increase this popular *interest that the* Printmakers Council was founded in 1965, and in line with its aim to increase opportunities for printmakers to *show and sell thetir* work, the Council has this year sponsored its first national print competition, in conjunction with Whatman Paper. Two hundred of the 2,300 entries, including the winner Anne Desmet's print "Sam," will be *on exhibition at the Royal Festival Hall* from January 23.

The choice of location was no accident. "We do show in conventional art galleries," says Administrator Sue Thompson, "but a lot of our work is to do with getting prints seen by as wide a public as possible. That's why we like venues like thet RFH."

The lithographic process was developed in the 18th century by a German, *Alois Senefelder.* He was not, as one might expect, a scinetist or an engineer, but a hard-pressed playwright, seeking an alternative to the intaglio printing processes of his day. Intaglio is the means of producing an image by incising a flat surface — the etching of a copper plate with needle and acid, for example, or the cutting of a wood block — so that the work appears above the level of the material used.

Senefelder had the good luck to be living in Bavaria at the time, where he had access to the quarries at Solenhofen. Here, a uniquely fine-grained limestone, found nowhere else in the world, could be quarried in convenient blocks and ground to produce a very fine, receptive surface layer. The artist, using substances which had some measure of greasiness in them, produced his image freely and directly *onto the stone.* With virtually no specific depth between the printing surface and that which did not contact, rollers could move uniteruptedly *across the stone and print* whatever image was there.

Senefelder spent the rest of his life travelling about Europe, patenting his process of "chemical printing."

The discovery of a plano*graphic, as opposed to* intaglio, system was of vital importance in the *development of* printing technology, and the 19th century advances in lithography were closely aligned with those of printing techniques in general.

The British artist Charles Hulmandel was a pioneer in the discovery of lithographic colour printing — the British Museum *has some striking examples* of his early work. New engineering and smelting techniques made possible the development of plate lithography, whereby zinc and later aluminium were adapted, not so much as substitutes, but alternatives to the original stone.

Producing a lithograph is a technological process, but it is also a creative one, emphasises Stanley Jones, director of the Curwen Studio, which opened in 1958 as the first specialist lithographic studio in the country.

The artist makes his own *colour separations and participates* at every stage of the pro*duction,* so that the final work is a synthesis of creative and printmaking *skills.*

"I can embellish and change and develop an image I've already created," says artist Paul Hogarth, who often uses his watercolours as the basis for lithographs. "But you're limited to the number of colours you can use. I would *often like to use more colours* than would be commercially *practical. I don't have that in*hibition if I'm doing a watercolour."

Like many artists, he likes to produce his images on grained film, which is rather like tracing paper. The draw*ing is then "contacted down"* and burned into a light sensitive plate which is processed with chemicals to become a lithographic printing surface.

"I *learned* lithography the hard way, on stone. It's cumbersome — *I've always found* it difficult to work with. My technique, which is very free and calligraphic, works better on film."

Other artists favour traditional materials. "I work straight on to the *plate,*" says Glynn Boyd Harte. "It's much more immediate to work on the grain. Zinc is very sensuous. Plastic isn't."

Harte is also intrigued by the variety of substances which can be used to produce lithographic textures, from traditional inks *and* crayons, which give impressions very similar to those of drawing and painting, to wax crayons and oil pastels. "There are so many different ways of making the marks," he says. "The creative possibilities are enormous."

There are a number of studios *in Britain which* use lithographic processes as a means of *reproducing original paintings* as "art prints," which can then be signed by the artist and marketed in limited editions. A perfectly legitimate use of the technique — but confusing, sometimes, to people who may believe that they are buying an original lithograph, when what *they have is effectively a repro*duction; a sort of superior poster, produced *in limited num*bers.

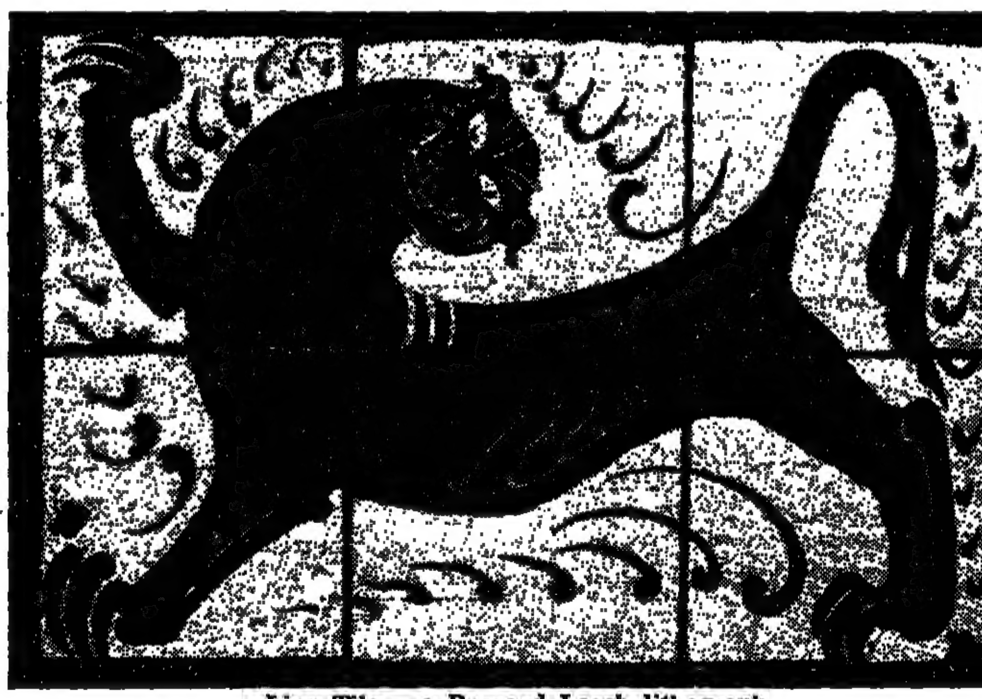
"Nothing wrong with posters," declares Harte, "but it completely buggers it up for real artists."

But facilities like those *offered to working lithographers* by Curwen Studio, for creating and refining an *original image,* are hard to find in England, according to Alan Christea. Waddington's, which publishes as well as exhibits and sells prints, often chooses to send its artists abroad.

Jonathan Horwich and Jane Hindley both believe that most lithographers are bought for their intrinsic, rather than their investment, appeal. "It's still something people buy for their own pleasure," says Hindley.

Stanley Jones *agrees.* "*I think* prints that artists make have become more valued in the public eye than they were 20 or 30 years ago. It has been a newly growing part of the art world."

"*Most artists* who make prints feel they are reaching a wider audience," says *Hogarth.* "I like it because I am very much a communicator."



Lion Tile — a Bernard Leach lithograph

Paula Deitz reports on New York's annual Winter Antiques Show

American art holds the fort

IN MANHATTAN, a startling aspect of the view down Park Avenue in the East Sixties is the way the solid wall of brick apartment houses is interrupted by what appears to be a *medieval French fortress with* crenellated towers. This huge red brick castle, actually the Seventh Regiment Armory at 67th Street built in 1880, occupies an entire city block; and passing by early in the *morning,* one can generally observe a small unit from the *regiment jogging in unison* around the building.

But *last* evening, the armory and its cavernous drill hall were transformed for the opening of America's most spectacular annual event in the decorative arts, the Winter Antiques Show, now in its 33rd year (until February 1). Not only is there a glittering array of fine furniture, both European and American, but each of the 74 dealers selected creates a decorative room setting — with *painted or papered walls and* cornices — which also includes Old Master *paintings,* porcelains, *silver* and brass *accessories* and other decorative objects dating from the Renaissance *to 1840. As* one walks the long corridor-like aisles with these resplendent rooms on either side, it would appear as if an enchanted castle had instantly come to life.

There are no bargains at this antiques show, for the dealers themselves collect all year the finest pieces in their fields for *display. And since the show* attracts from all over collectors *specifically of* American antiques, both the 18th century styles and *the* early 19th century classical or federal styles, the New York auction houses have traditionally scheduled their most important Americana sales the same week, so that in a sense the whole neighbourhood becomes the show, including the local galleries. *The market for fine* American furniture has been rising faster and higher than that for English furniture since last year's record price at Sotheby's of $1.1m for a c. 1770 Philadelphia Chippendale carved mahogany wing armchair.

Although the armory exhibits stop short of the Victorian era, *the thematic motif of the event* this year is set by a loan exhibition from the Forbes Magazine Collection of Royal ephemera celebrating the sesquincentennial of Victoria's accession to the throne. Otherwise installed in Old Battersea House in London with the Forbes *family's 19th-century* paintings, the collection features a watercolour of "The Young Queen Victoria Reviewing Her Troops" by Sir Edwin Landseer, and a pair of the royal knickers with the queen's *crowned cypher among the 50* items on display — including sculpture, paintings, drawings, watercolours, prints and other documents. These are staged in a setting that also suggests a domestic interior with green tartan walls and dark blue painted furniture used as *pedestals.*

For the grand opening last *evening the dressy crowd* entered the armory through the historic Veterans' Room and Library, now called the Tiffany Room after the designer Louis C. Tiffany who, with the architect Stanford White and other, created this clublike room—oak wainscoting stencilled in silver, gothicised wrough-iron candelabra, stained-glass windows and a blueglass tile fireplace surround. This year, in keeping *with the theme, the designer* Ralph Lauren has further embellished this *ornate military* room for the opening reception *according to his idea of* an elaborate hunt celebration in a *great hall in the north of Eng*land—hanging crested banners, tables laden with old silver on gold-tassled tartan cloths over paisley skirts, and garlands of roses entwined with brass hunting horns. Nothing is spared *for this mid-winter extravaganza.*

Within the vast armory *itself,* the entrance galleries are lined with real and *trompe l'oeil* garden settings arranged by floral designer J. Barry Fer*guson to evoke* Balmoral Castle with vine-covered trellises, a *few antlers and horns, and* a plethora of immense urns filled with quince branches, amaryllis and magnolia. And scattered throughout the hall are Victorian garden seats and potted palms. As the show-stopper *centrepiece of* the exhibition—placed where the aisles con*verge in the middle*—is a typically American rustic shelter *made by David Robinson,* who in Central Park has been rebuilding and restoring similar ones which have all the ingenuity of the 1860s originals.

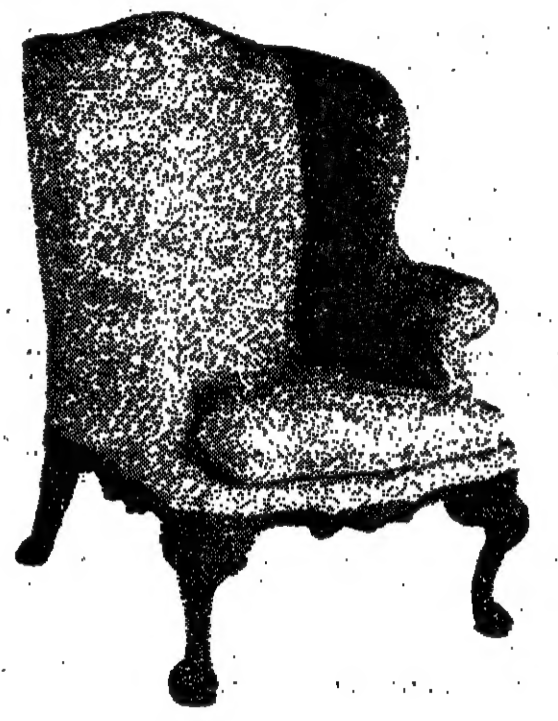
This charming hexagonal open pavilion of unmilled cedar logs, which housed the musicians last evening, is surrounded by a garden of flowering shrubs and fragrant spring bulbs planned by Lynden Miller, director of the Central Park Conservatory Garden. *Combining euonymus* Manhattan, rhododendron and white azalea with 1,000 paper white narcissus and 100s of *white and pale blue primroses* and grey-leafed foxglove, Mrs Miller has made a cool garden that contrasts favourably with the ormolued antiques in nearby booths.

Though there is enough to see *simply as spectacle, in fact* most collectors come in a competitive mood to buy even at the exorbitant prices, and there are many treasures, particularly in the area of American antiques. New to the show this *year, the Washington DC dealer,* G. K. S. Bush, is displaying a federal gilt bridal bed from Salem, Massachusetts, for $75,000, with a turreted tester and the original bed hangings of both crewel work and electric yellow quilted silk. Seen against walls of robin's egg blue with *white cornice mouldings, after* those in the Governor's Palace at *Colonial Williamsburg,* Mr Bush's booth reflects the revival of the Adamesque colours that have now been verified as the true colours of American historic interiors.

From Atlanta, Georgia, Levison American Antiques brought a Portsmouth, New Hampshire secretary of bird's-eye maple with mahogany banding and the original brass eagle and finials ($30,000). Alongside a set of six 1815 New York curly maple chairs, the warm shades of the wood stand out against a black lacquered floor and white wallpaper with a subdued gold-leaf star pattern and gilded crown moulding also based on a Colonial Williamsburg design.

These prices are reasonable in contrast to the two star attractions at the major auction houses. Bids today at Christie's are expected to reach $500,000 for an important Queen Anne mahogany high chest of drawers, which is signed by Christopher Townsend of Newport, Rhode Island, 1748. Grace*ful though it is with an arched* and scalloped skirt and pointed *slipper feet, it still* reflects plain style Quaker designs. And at Sotheby's next Saturday, the auction will include an extremely rare (for the Colonies) Chippendale wing chair with elaborate hairy paw feet, carved probably by James Reynolds of Philadelphia in 1770. Inherited eventually by the noted American landscape *gardener,* Beatrix Cadwalader Jones Farrand, the chair is expected to reach a price of $900,000.

Recently people from abroad have been more interested in American folk art of the same period, and every year at the Winter Antiques Show, the firm of Thos. K. Woodard American Antiques Quilts has dazzled by its colourful array of the simpler styles of painted cupboards and chests and Shaker furniture.



Chair leader: an American Chippendale

Murphy's Law dictates that especially desirable items will always be particularly hard to track down. Some hunting tips . . .

Search for perfection

HOW TO SPEND IT

Lucia van der Post

REMEMBER a famous dvertisement for some kitchen units where the comany in question was inunated with requests . . . for he hand-sponged scrollacked chairs they'd used as prop. Never mind the nits, wherever did you get hose chairs?

Often it is the small and diosyncratic piece that turns potentially barren interior nto something suitable for xposure in the growing band f glossy interior magazines.

Browse through the charmilled pages and I'll bet the pieces *you long to purloin* are not the sofas or the diningables but the decorative nirror over the mantelpiece, he hand-painted bowls on the table, a picture, a tray . . . *for these are the details that* can bring a room to life.

They are also, by Murphy's law, the ones that are hardest to track down. No mechanical production line backs them up, there's no small factory in Hong Kong where you can find the hand-painted (simulated, of course) *lamp-bases*—these are the "finds" that their owners seem to come upon with happy regularity on their frequent jaunts to antique *markets*.

These are the people who always come upon some amazing find while the rest of us tend to find our little jaunts to early morning markets yield little more than some *over-priced bits* and pieces.

This week, I've done a little of the footwork for you. You won't find any antiques here but you will find a collection of the sort of decorative ideas that can, if they are your style, add a great deal of personality to a room.

None of them are mass-produced, all are part of the great new revival in small workshops where men and women with talent and a desire to run their own working lives turn out some of the things that the rest of us might dearly like to own. Because the work is done in small workshops you can't *(usually) order* in vast quantities and you may have to take your turn when order books are full — the reward is that you'll have something personal and idiosyncratic, exactly right for the room.

Drawings by Anne Morrow

Lacquered tables from the Raynham Workshop

CHARLES RAYNHAM (more formally known as Viscount Raynham) may be the heir to the 7th Marquess Townshend but he still has to work for a living. Casting about for an enjoyable and worthwhile occupation that would take him back to his roots in Norfolk he hit upon the notion of making fine painted furniture. He wanted to find *new* ways of blending sophisticated modern materials and techniques with the old-style pleasures of deep, glossy lacquerwork.

He has been going only two years but already in his once redundant flint farmhouse buildings he employs 17 people and produces a whole series of the sort of decorative items beloved of interior decorators and homeowners addicted to a gentle country house mood.

His are exactly the sort of pieces that sometimes, if you're lucky, you manage to track down in an antique shop (when they usually need hours of patient restoration work)—they are the butler's trays, the lacquered chests, the coffee tables and tray-tables, the console tables and magazine racks, that add a *finishing* touch to any house.

He uses finest quality modern wood-based board and has developed his own manufacturing techniques, based usually on engineering principles. Charles Raynham describes himself as a "mechanical bodger, certainly not a carpenter." Nevertheless some of his joints and joining discoveries are so effective that he's had to make sure to patent them. He produces extremely strong, stable furniture.

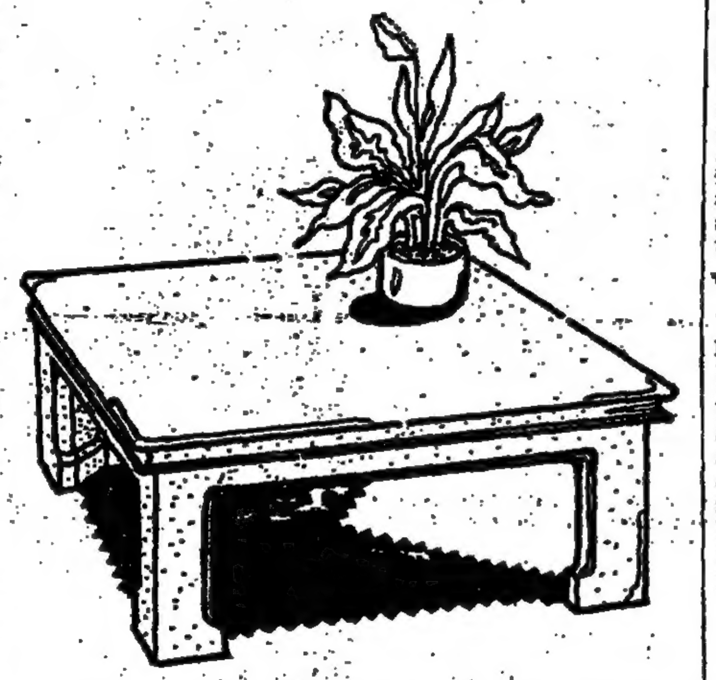
The crowning glory of the pieces though is the finish—the lacquer. Charles Raynham has developed a modern version of the process used by the Chinese centuries ago—but where they used some 36 coats, all hand-applied and flattened between *each coating*—he, with modern technology, has got it down to 12 coats applied with spray equipment and then hand-flatted. This, he claims, give the furniture a depth and glossiness that is only otherwise ever *found* on truly old hand-lacquered pieces.

Certainly the colours are astonishing—ranging from deep Chinese red, bottle green and black to pale pastels, some with an almost stippled effect.

Prices vary from piece to piece but to give you some idea — the Raynham Coffee Table (his own design which comes either plain or with a display case inset or with a backgammon board built in) is about £297 (exclusive of VAT) for a size 95 cms by 64 cms by 42 cms. A tun-table (illustrated here)—so-called because he copied the design from a table that used to be in the palace of the Chinese Emperor Tun — which is based on a curly edged tray-like top, sells for just under *£300* (exclusive of VAT).

For a brochure, pictures and further details write to Raynham Workshops, Pattesley House, Fakenham, Norfolk NR 217 HT (tel 0328 700525).

Readers are also welcome to visit the workshops at Pattesley House where many examples of the pieces can be seen, both finished and in production. You can also telephone the Norfolk number to arrange to see their products at their display centre *opening shortly* in London.



Hand-painted furniture from Robert and Colleen Bery

ROBERT and Colleen Bery are a husband and wife team who specialise in what, for want of *a more inspiring phrase, I must* call hand-painted furniture, though that doesn't begin to convey *its charm*. Robert makes all the furniture and between them they paint, stencil and stipple away. Their style is exceedingly pretty (as opposed to, say, smart), with colours veering towards the pastel end of *the spectrum blue/grey/* apricot/peach/yellow/cream are the basic colours they work in but *if you have an existing* scheme you want matched precisely, just send them a swatch and they'll do it. Robert will make furniture to any size whether bedheads, coffee tables, chests, blanket boxes, mirrors or trays.

The themes they usually use are based on bows, ribbons, butterflies, shells, flowers and birds, and garlands and all of these have matching border *designs*.

However, Robert and Colleen aim to please and if you fancy *something entirely your own*, they'll try to do it. They will also come to your home and stencil or paint your walls/floors/ceilings.

The sketch here gives you some idea of the style and *range though no glimmering, of* course, of how pretty the colourings are. If you'd like to see some of their work their furniture is sold in The General Trading Company, 14 Sloane St, London SW1, Country Chattels, *Chobham High St, Surrey*; Dunkeld Interiors, Dunkeld, Scotland; and Material Effects, Wandsworth Common, London SW18. You can also write to them for a simple leaflet or visit their home, which they use as a showroom but you must make an appointment first. The address is 8 Rosehill Rd, Wands*worth, London SW18 2NX* (telephone 01-874 5542).

To give you some idea of prices—coffee tables are about £240 (plus VAT), small ones are £160 (plus VAT), large mirrors (22 in by 26 in) are *£60* (plus VAT) and a long rectangular blanket box is £240 (plus VAT).

VICTORIA BURNETT will paint any piece of unwaxed furniture, whether it be a blanket box, a dresser, headboard, side-broad or a screen. She *does* all the painting herself using water-colours which she then finishes with wax to give a gentle, mellow look which is heat and spillproof to *boot*. Her *themes are those* beloved of the Victorians — roses, butterflies and dragonflies but her style is quite powerful. If you don't have a blanket-box but would like one *embellished* in the true Victoria Burnett style she will supply a *finished version for about £225* —if you bring your own the painting will cost you between £150 and £200. She normally takes about 10 days. Write to her at *The Old King's Arms*, High Street, Potterne, Wiltshire (tel 0380 5375).

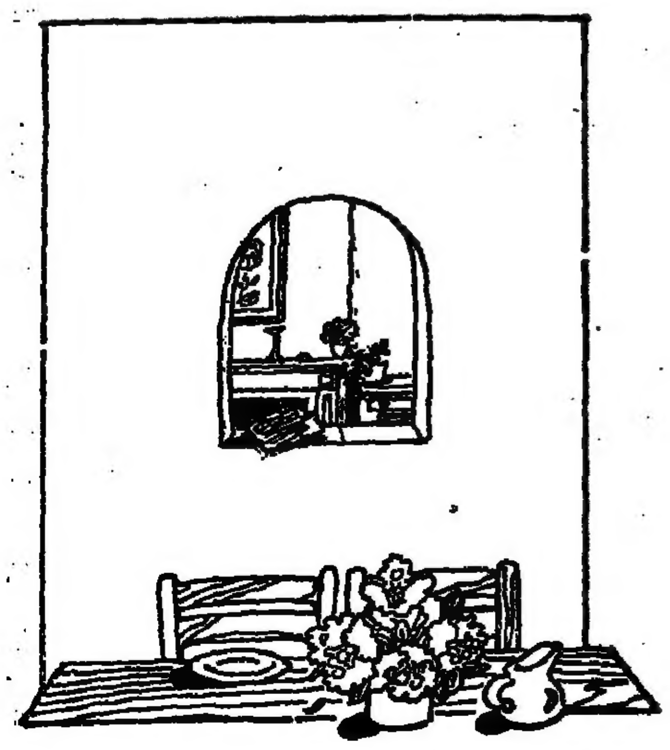
Victoria Burnett's decorated blanket chest

MICHAEL ALFORD is a painter and when he needs to earn some money in order to be able to get on with his art, he turns his hand to *the ancient* skill of mural painting. Since the days of Pompeii, its popularity *has* waxed and waned. It was very much out, except with the very grand country house set, through the bare, stark days of *the* '60s and '70s, but now that nostalgia and an air of luxe is quite all right in *even* the humblest home it is enjoying a gentle revival.

Though grand classical Italianate scenes may be more suited to the stately home, much, much more modest homes can *be considerably enlived by* a timely mural. These days they are often done with wit as *well* as art so that you may find yourself in a dark corridor which seems to lead to a summer conservatory, you may look at a wall, once blank, which now appears to open into an endless series of receding doors — the art of *trompe l'oeil* can bring sun and spirit to the *dingiest surroundings*.

Michael Alford will come to your house, assess the problem and once he has sorted out his ideas and decided what he thinks will suit you and the room, it usually takes him 10 *days or less to do the actual* painting. He charges £50 a day at the moment (many muralists charge £100) which by my reckoning is what one pays a straightforward decorator.

He can provide most moods *and styles except the rampantly* abstract. If you think a mural or *trompe l'oeil* is what you need write to him at 127 Trentham Street, London SW18 5BH or telephone 01-870 2487.



Michael Alford trompe l'oeil window scene

An Eastern scene by Mary Cooke

IF YOU want a screen made *specially* to suit you and your room, Mary Cooke is your woman. She seems to have an immense variety of styles, managing to turn her hand from *sweetly pretty florals* to dramatic geometrics, from strange abstract to slightly decadent Italiante.

She uses medium density *fibreboard for the screens* themselves (they are in fact made for her by Pearl Dot Furniture Workshops) and they can be made to any size or shape, *though the usual size is between* 5 ft and 6 ft high, with four leaves about 1 ft 3 in wide. Screens she has done in the past include one which is used to conceal a French window which proved awkward to curtain, *while another she did for clients* with a conservatory who wanted some privacy from close neighbours.

She paints with oil and acrylic *materials and sometimes* uses gold leaf and she makes a point of trying to provide each customer with something that is exactly right and particu*lar for their needs*.

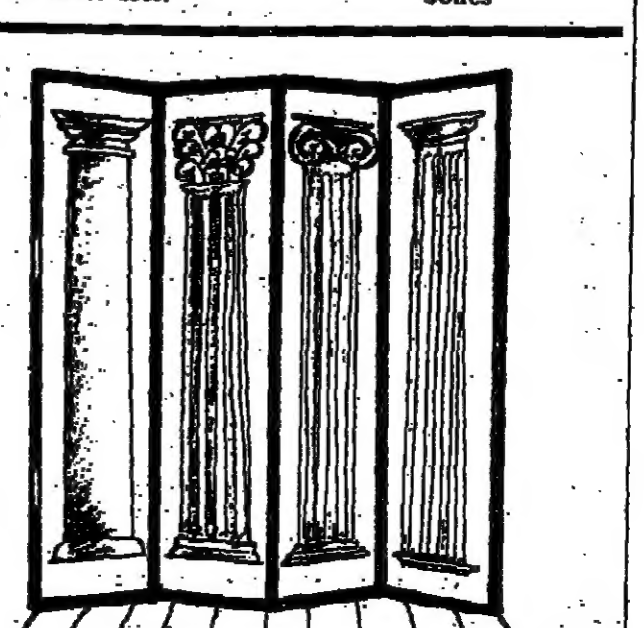
Her prices range from £300 and £400, depending upon size and complexity of design and normally it takes up to three *weeks from start to finish*.

If you think Mary Cooke could transform your room, you can reach her at 41 Thornhill Road, London, N1 1 JS. Tel 01-607 5575.

ROBERT JONES and Lorraine Gleave *also will paint murals* but their style is less in the traditional classical *trompe l'oeil* mould (though, naturally, if that's what people want they will supply it) and *rathermore* in a modern, witty, up to the *minute mood*. *They* have painted everything from some simple shutters to a cupboard door to a complete restaurant.

Of all the work of theirs that I have seen I like best this witty treatment of a plain cupboard door — *panels and some* Picasso look-alikes have turned a very pedestrian surface into something with all the decorative appeal of a painting. Prices depend upon size and complexity of the painting required. Contact Robert *Jones and Lorraine* Gleave at Railway Studios, 241 *Coldharbour* Lane, London SW9 8SA. Tel 01-677 8360.

Door revival: by Robert Jones



Classical motifs by Mary Cooke

Auctions

Antony Thorncroft relates how big business has become stage-struck

Where there's art there's money

THIS WEEK Sainsbury's, the supermarket chain, increased its expenditure on arts sponsorship by £200,000 a year, giving around £140,000 to the National Youth Theatre and the remainder to the National Theatre Studio. Next week Mercedes Benz will announce a £500,000 commitment to arts sponsorship by supporting this year's Festival of German Arts in London.

Ten years ago business spent only £600,000 a year on helping the arts. In 1986 the figure was nearer £25m. The optimists who are talking grandly of a £30m target for 1987 might not be far wrong—if the economy, and the election, go the corporate way.

But while critics of arts sponsorship see it all as an ominous development — one that could enable the Government to reduce its own arts expenditure through the Arts Council, and even worse, ties drama companies and orchestras and dance groups to business ideology — the actual experience in the field is very different. Arts sponsorship is splitting into many, quite distinct, functions.

There are still companies which sponsor arts events mainly for the opportunities it gives them to make contact with prospective customers. PA, for example, was very happy with its sponsorship of a Beethoven season by the Royal Philharmonic Orchestra. Glyndebourne has a waiting list into the 1990s of companies anxious to provide £100,000-plus to sponsor a new production and thus secure limited entertainment privileges. The financial return in terms of new business leads from a modest investment — few sponsorships are larger than £30,000 — can be tremendous, if the formula is right.

But even in this most traditional area, of orchestral concerts, classical ballet and opera, sponsors are trying to find a new angle, prompted by arts clients who themselves are getting more marketing conscious. The latest fashion is for companies to sponsor the advertising of arts events. The Prudential paid for an autumn campaign by the LPO, and in its successful attempts to ward off an unwanted takeover bid by this macho orchestra the Philharmonia has just launched a full-page Press campaign singing its own praises (in the words of the music critics) with the advertisements paid for by its contented backers, including Nissan, Wiggins Teape, Trusthouse Forte and Suntory.

Sponsors of Royal Academy exhibitions also invest heavily in promoting the shows, mainly because their final financial commitment is determined by the size of the box office take. Sea Containers, for example, generated considerable good will by backing the painting in Venice exhibition at the RA, and when the income was added up did not have to contribute a penny. BP, which has just put up a £150,000 guarantee against loss on the British art show that opened at the RA this month, hopes this proves a good omen.

An unusual twist to this approach, which basically aims at ensuring the success of any arts event sponsored, has been provided by Digital, which appeared from the blue last summer to provide £500,000 for dance in the UK. All the advertising of the third largest computer company in the world is linked to its backing for dance: there is no reference to its product.

Sponsorship for entertainment: sponsorship through advertising—and sponsorship for precise marketing objectives. Mobil has just formed its own theatrical company and is touring *Rosencrantz and Guildenstern are Dead* to theatres in selected localities throughout the country, where it can entertain whom is chooses and run the whole show. Last year IBM backed a light comedy, which again ensured that it had total control of the artistic content; the company did not want anything too intellectually demanding. The theatre has suddenly become the popular choice of sponsors. Allied Irish entered the field by backing the English Shakespeare Company and, in another example of pinpointing, Grattan Warehouses is paying the RSC to play *Kiss Me Kate* in its Bradford base.

The RSC expects to get most of its new productions sponsored. The National has made strides recently in securing backers for its peripheral activities — like the Studio, and its educational work, sponsored by W. H. Smith — but only one main house play has been sponsored (*The Threepenny Opera*, by CitiCorp). It had no luck on its recent *King Lear*, and so far the approaches it has made for the forthcoming *Antony and Cleopatra*, with Judi Dench and Anthony Hopkins, have yet to attract a response.

Companies are keen to sponsor the arts but increasingly they want their own tailor-made event. They look enviously towards the Booker or the Whitbread Literary Prize, where the sponsor's name grabs the headlines and the expenditure can be justified in hard headed marketing terms. For all the grumbles of the doubters many companies are prepared to back the local, the experimental, and the youth-linked: it is traditional arts ventures that are finding it hardest to secure sponsors, partly because they are the most expensive.

The banks and the oil companies, like BP, may still be the only companies spending £1m a year on the arts but there are hundreds of regional organisations now very interested. From next month lawyers will be able to sponsor events, and for them the arts would seem to be an ideal arena. The Big Bang has created interest in corporations like Merrill Lynch and the accountants are taking advantage of their recent promotional freedom.

However, the real growth is outside London in companies like Eldridge Pope, the Dorchester brewery, which backed a community play by David Edgar based on local history, involving thousands of Dorset people (the chairman of Eldridge Pope played the role of Mayor), and the Scottish Post Office Board, which is not afraid to sponsor the modern — such as a 20th century music weekend at the Edinburgh Festival. Once again the chairman was much involved — Peter Maxwell Davies wrote an overture "Jimmie the Postie" as a thank you for the Board's help in the 1986 Orkney Festival, and dedicated it to him.

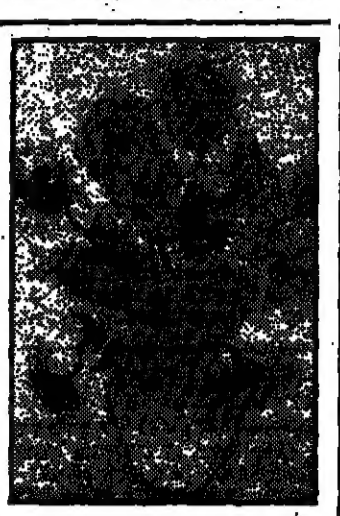
It is just as well that business is rallying round because the Government's initiatives in arts sponsorship seem to have ground to a halt. The budget for the Business Sponsorship Incentive Scheme has been frozen at £1.75m, and the proposals in last year's Budget to encourage corporate and private sponsorship by tax incentives have collapsed through their own complexity and lack of generosity. Perhaps the forthcoming Budget may bring more effective changes.

So sponsorship, by stealth, like Marks & Spencer; by patronage, as at Sainsbury's; for entertainment, as at Glyndebourne; and for marketing purposes; but there has been little constructive follow-up research to assess its effectiveness, and a corporate decision to go in for arts sponsorship remains a gamble.

Ask Morgan Grenfell, who grabbed the sponsorship of this month's new *Otello* at Covent Garden, with Domingo, for a paltry £50,000. It's doubtful whether the directors of the merchant banks, and their guests, were in the mood to appreciate the performances last week.

A current example of arts sponsorship: The BP Springboard Company's production of Eugène Ionesco's "Journeys Among the Dead" at London's Riverside Studios

The most expensive flowers in the world



ONE OF the most famous paintings in art history, Van Gogh's "Sunflowers," or "Les tournesols," is to be sold at Christies in London on March 30. Its eventual price is anyone's guess, with estimates starting at £10m. It could fetch at least £12m. In any case it seems certain to set a new record price for a work of art sold at auction, exceeding the £8.3m paid for the manuscript of Henry the Lion at Sotheby's.

The "Sunflowers" is being offered by the executors of the late Mrs Helen Beatty. Her husband Alfred was the son of Sir Chester Beatty, who brought the painting to the UK earlier this century. It has recently been on loan to the National Gallery, who were unable to make a realistic offer for it.

Although not pleased to be losing the work, the National Gallery owns another version of a subject which Van Gogh painted seven times in the years just before his death in 1890. One was destroyed in the Second World War, one is in a private European collection, and the rest are in museums.

There should be vigorous bidding for this example, the largest Van Gogh painted on the theme. Private American and Japanese collectors will be competing with museums. One thing is certain: this "Sunflowers" will find a new home abroad.

A. T.

Moaning Minnies unite

THE ARTS AND THE PEOPLE
by Sir Roy Shaw,
Jonathan Cape. £9.95.

ARE THE arts in the UK in a state of crisis? There is very little evidence (apart from the bleatings of interested parties like Sir Peter Hall whose National Theatre is currently enjoying a financial and popular bonanza), and Mr Terry Hands of the RSC (who has just added a fifth theatre, the Swan at Stratford, to his chain of outlets).

In recent years 30 new theatres have opened in England alone and the kingdom has absorbed seven new opera companies and five new dance groups. Overseas, British actors, playrights, dancers, composers, writers, film producers enjoy unprecedented acclaim. In fact the arts, viewed objectively, are one of the great British success stories.

But here we have Sir Roy Shaw, a former secretary general of the Arts Council, joining the "moaning minnies" so disliked by the Prime Minister. He lays about him with gay abandon, chastising the Government, his successors at the Arts Council, corporate arts sponsors and the "loony left." He writes from the perspective of a northern working class lad who, through the Workers Educational Association learned to love culture. His ultimate plea is for more education through life to enable the mass of the population, who after all through their taxes, subsidise art for the middle class few, to pass through the golden gate to cultural ecstasy.

Sir Roy is wise enough to know the obstacles, and has some good fun at the expense of Marxist propagandists who see all art as bourgeois and are only happy with a diet of plays about the miners struggle and community sing-songs. But while pointing out how small a minority takes part in such "popular" art he still seems to believe that everyone can ultimately learn to love King Lear.

Like virtually everyone in the arts world he over-dramatises its role. It is doubtful whether a majority of the population will ever appreciate high art, and why should they?

It is not that the Government is generous to the arts. It is missing a marvellous opportunity by not giving more money to the Arts Council. By some freak of nature, probably thanks to the English language, we are, as a nation, remarkably creative in the arts, and any sensible Government would invest in this strength. But by continually crying "wolf" the arts ultimately does its cause a disservice.

Sir Roy indulges in some pointless hyperbole — no one really believes that corporate sponsors can ever replace the Government as the main financiers of the arts and, in many cases, sponsors are taken for a ride by their artistic clients. He gives only grudging acknowledgement to the part played by his successors in the Arts Council in attacking the Government, and embracing such unconservative causes as more regional aid and the ethnic arts. He also seems to have overlooked the biggest change in the arts funding in recent years: the growth, for good or ill, of local authority financing.

A. T.

Chess solution No. 656

1 K-R8? intending P-Q mate is met by B-N8 ch. 1 Q-R8 ch? QxQ: 2 K-R8 stops this defence but allows 2...Q-R8 pinning the white pawn. So 1 Q-R7! (threat 2 Q-N8 mate) R-QN7; 2 Q-R8 ch, QxQ; 3 K-R8 and 4 P-Q mate.

Opera

Dutch failure

AMSTERDAM'S Muziektheater, new home base of the Netherlands Opera, opened its doors last September. Reporting on the opening shows (*Falstaff* and the specially - commissioned *Ithaka* by Otto Ketting), Andrew Clements suggested on this page that the fullest test of the big house, and in particular of its Cinemascope stage, would only be posed when the largest size of opera was given thereon.

After *Onegin*, Zemlinsky's *Kreidekreis*, and double bills of *Renard/Where the Wild Things Are* and *L'Heure espagnole/Master Peter's Puppet Show*, that moment finally came earlier this month, when the company put on its first-ever *Boris Godunov*. The results set off a sufficient number of alarm signals about stage-audience communication, and above all about the house acoustics, to indicate the existence of worrying problems looming large for the company.

Never mind the dully impersonal foyers, with their insufficient number of seats, inadequate refreshment provision (no food, not even a biscuit!) and pink carpet already stained and fraying at the edges. What counts is what is heard and seen inside the theatre itself; and it seemed to me that the Harry Kupfer production, conducted by Hartmut Haenchen (young East German musical director of Netherlands Opera), was operating under such disadvantages of aural "contact" and focus that, in truth, very little came across at all. Kupfer had chosen the first form of the *echt-Boris* (ie, seven scenes, no Marina, St Basil Cathedral before Boris's death rather than Kromy Forest after it). I had never before been able to understand those people who find the original Musorgsky boring, and crave the Rimsky-Korsakov instrumental titivation. After this Amsterdam experience, I began to.

Acoustics are always tricky to describe — "warm," "dry," "resonant," and all the other items from a critic's word-store are blunt, imprecise instruments of sound analysis. But failures or absences of familiar and desirable sound-properties in certain works can be more clearly pinpointed. The direct communicativeness of the original *Boris* depends on the application of electric intensity to the spare scoring and vocal lines, of an "animal" quality of commitment upon the part of every single singer and player. When these things are missing, the truth-seeking plainness of the musical fabric becomes an unending, almost unvaried stretch of grey, and the drama dulls accordingly.

On this occasion, the combination of voices and instruments simply failed to reach my stalls seat (near the side, not far from the stage). It was heard, clearly enough, but not *felt*; no moment of rythmic force, colour-variation, or involvement in the huge choral build-ups was ever alive or compelling. At first the immediate desire was to blame unfamiliar participants (Haenchen was a conductor new to me). But when singers long known and admired — Robert Lloyd in the title role, Willard White as Pimen — entirely fail to strike the senses with their special vocal impact, while evidently singing as well as they are known to do, then something has gone seriously amiss with the performance. And, meanwhile, *Boris* in Russian becomes an aching bore.

This was in spite of a production of hard intelligence and theatrical authority, well spread across the wide space of stage. Iron bars dominate the imagery: a cage clanks down from the flies to trap the Russian people, barred balconies frame the proscenium arch (limiting a few moments of clear vision from side seats). The action is violent; guards' whips lash and crowds scuttle; nothing is picturesque (and, apart from Boris's ceremonial gowns, nothing is colourful).

But the issues of the work are delineated with a fierce, bony economy — and, accompanied by more vibrantly compelling musical sounds, would surely reverberate through the spectator's senses. There are a couple of Kupfer oddities. Fyodor—played not by a woman but, with unexpected success, by the countertenor Jochen Kowalski is dressed all in white and out of period, like a dashing young officer from Nicholas and Alexandra. Grigori (Howard Haskin, in good voice, so far as one could tell), is saddled with a red wig, nervous tics, and a scared-mouse funny walk: not a good idea.

Mr Lloyd plays a Boris far nearer the extremes of pathological disturbance than was required of him in the Andrey Tarkovsky production at Covent Garden—visually at least, the portrayal of spiritual and psychological self-destruction that producer and singer have worked out between them is harrowingly graphic and powerful. It was painful to realize, again and again, how different the evening might have been, and how ready were the ingredients for success. As things stand, I shan't be planning a return visit to the Amsterdam Muziektheater in a hurry.

Max Loppert

Radio

Unfunny Radio 3

OH DEAR, Radio 3 has another funny series. Imagine a comic drawing of a sheep being rounded up by a sheepdog. Below is the caption "You remember what Hegel says." That was the context of the first of Christopher Hope's three diversions, *Box on the Ear*, though there could have been a score of other captions, including the one in the Radio Times. It went on for 20 minutes. The second one was based on early morning television; the third dealt with the jealousy of a house-plant surrounded by well-cared-for cut flowers. These went on for 20 minutes each, too; what kept me listening was that they were spoken by Janet Suzman and Nigel Hawthorne, and I will always listen to them, even when they are playing sheep or saitpaulias.

Radio 4's Monday Play promised to be a political piece, being about Beatrice and Sydney Webb, but in the event it was romantic. There was little about Sydney, who was put in his place by an early exchange — Beatrice: "And five shirts." Sydney: "Five?" Beatrice: "You know how you perspire." Moir Leslie gave her as a smart, beautiful socialite who evolved into a beautiful socialist through her contacts with such figures as Bernard Shaw, Joseph Chamberlain (who proposed to her) and her uncle Herbert Spencer. Its was fascinating to hear the same voice saying to sister Maggie, "We'll miss the Season!" and then, after a holiday with her maid Martha in Bacup (under the name of Miss Jones), and some experience collecting rents in the East End, announcing that the sweatshops were the result of the capitalist system. Sydney Webb was given a pinched semi-Cockney voice by Brian Hewlett, Chamberlain a rich, romantic voice by Stuart Organ. Beatrice would have done better to accept Chamberlain and become an influential hostess, though in that harness she would never have become Lady Passfield. The name of the play was *Exit Miss Potter*, by Carolyn Sally Jones, and the director was Kay Patrick.

A political play of a very different kind was *The Maple Tree Game*, which Pavel Kohout based on Mircea Eliade's novel *The Old Man and the Bureaucrats*. This was about politics "somewhere on the Danube, not so long ago"—politics of a more lethal variety than even Joe Chamberlain's in Birmingham. The story was an application of the Maple Tree Game, a children's counting-out song, to the va et vient of government appointments. An elderly retired schoolmaster, charmingly played by Frank Middlemass, walks into the Ministry of the Interior to see his old pupil Borza, and they recall the games the boys used to play, particularly the business of the cellar with a pool in it through which it is rumoured that you could dive to another world. Some of those boys (whose names I must guess to be Liksandru and Davari, because they are mentioned but never appear in print) have disappeared. And what became of the Tartar boy Abdul who could charm flies?

On top of this, there is the legend of Oana (another guess) the giantess who married the Estonian who came for her on never completely elucidated; but as the enquiry proceeds about what became of whom, various ministerial faults result in a more serious counting-out game in the Ministry. I cannot pretend to have understood all the subtleties of the multi-layered plot, which I suppose must be clearer in the novel; but I enjoyed all that I heard, which was exciting and funny in a characteristically Czech manner. A. J. Quinn was the director.

The Sunday Feature on Radio 4 was interesting in conception but hardly had the ability to stay up for 45 minutes. Michelene Wandor's starting-point is that, besides the commonly accepted Genesis story of God creating Eve from Adam's rib, another version chooses Lilith as God's second creation. Eve, as Ms Wandor portrays her, is a rather tired housewife with the weaknesses of such people, whereas Lilith is a with-it lady who has stayed with progress during the lapse of time since BC 4004, if that is still the accepted date. They are given alternative little commentaries, mostly in connection with the events and the people of the Old Testament, though Baba Yaga in her chicken-legged hut finds her way in. The overall argument is feminist, but never tiresomely so. It only becomes tiresome when invention runs short, but I heard it all with interest, if not necessarily with approval.

B. A. Young